

**Refunding Issue**

**Ratings: Moody's Investors Service .....Aaa**  
**Standard & Poor's .....AAA**  
**Fitch Ratings .....AAA**  
**(XL Capital Assurance Insured)**

*In the opinion of Levy & Droney, P.C., Bond Counsel, under existing law and based upon and assuming the accuracy of and continuing compliance by the City with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not treated as a preference item for purposes of calculating the federal alternative minimum tax. Interest on the Bonds is included in the calculation of certain taxes, including the federal alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes) as described under "Tax Exemption" herein. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax. See "Tax Exemption" herein.*



**\$13,330,000**  
**CITY OF WATERBURY, CONNECTICUT**  
**GENERAL OBLIGATION TAX REVENUE INTERCEPT**  
**REFUNDING BONDS, ISSUE OF 2003**  
**BOOK-ENTRY-ONLY**

**DAC Bond®**

**Dated: May 1, 2003**

**Due: As shown on inside front cover**

Interest on the Bonds will be payable semiannually on the first day of August and February of each year, commencing August 1, 2003. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are being issued pursuant to an Indenture of Trust dated August 12, 1993, as amended and supplemented (the "Indenture"), by and between the City and U.S. Bank National Association as successor to Fleet National Bank as Trustee (the "Trustee"), and resolutions approved by the Board of Aldermen of the City on March 10, 2003 and by the Waterbury Financial Planning and Assistance Board (the "Assistance Board") established by Special Act No. 01-1 of the General Assembly of the State of Connecticut (January Session)(the "Act") on March 14, 2003 (collectively, the "Resolutions"). The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. (See "SECURITIES OFFERED, Security and Remedies" herein.)

Payment of the principal of and interest on the Bonds will be insured by a financial guaranty insurance policy to be issued by XL Capital Assurance simultaneously with the delivery of the Bonds.

**XL CAPITAL ASSURANCE™**

The Bonds are subject to redemption prior to maturity as more fully described herein. The Bonds are offered for delivery when, as and if issued, and received by the Underwriter, subject to the final approving opinion of Levy & Droney, P.C., Bond Counsel, of Farmington, Connecticut. Certain legal matters will be passed upon for the Underwriter by Hawkins, Delafield & Wood, Hartford, Connecticut. It is expected that delivery of the Bonds in definitive form will be made on or about May 14, 2003 through the facilities of DTC.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

***A.G. Edwards & Sons, Inc.***



**\$13,330,000**  
**CITY OF WATERBURY, CONNECTICUT**  
**GENERAL OBLIGATION TAX REVENUE INTERCEPT**  
**REFUNDING BONDS, ISSUE OF 2003**  
**BOOK-ENTRY-ONLY**

**Dated: May 1, 2003**

**Due: Serially, February 1, 2004-08, as shown below**

<b>Due</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number</b>
2004	\$2,100,000	2.500%	1.300%	941247A81
2005	2,630,000	4.000	1.590	941247A99
2006	2,735,000	4.500	1.870	941247B23
2007	2,860,000	5.000	2.350	941247B31
2008	3,005,000	5.000	2.710	941247B49

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## BOND ISSUE SUMMARY

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

<b>Issuer:</b>	City of Waterbury, Connecticut (the "City")
<b>Issue:</b>	\$13,330,000 General Obligation Tax Revenue Intercept Refunding Bonds, Issue of 2003, book-entry only
<b>Underwriter:</b>	A.G. Edwards & Sons, Inc.
<b>Dated Date:</b>	May 1, 2003
<b>Interest Date:</b>	Semiannually, each August 1 and February 1, commencing August 1, 2003
<b>Principal Due:</b>	Serially, February 1, 2004 through February 1, 2008, as detailed in this Official Statement
<b>Purpose:</b>	The Bonds are being issued to refund outstanding bonds of the City dated August 12, 1993.
<b>Redemption:</b>	The Bonds are <b>not</b> subject to redemption prior to maturity.
<b>Security:</b>	The Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. The Bonds will be secured by the City's tax revenue intercept. See "Security and Remedies" herein.
<b>Bank Qualification:</b>	The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
<b>Credit Rating:</b>	See "Ratings" herein.
<b>Bond Insurance:</b>	Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by XL Capital Assurance simultaneously with the delivery of the Bonds. See Appendix D – "Bond Insurance" herein.
<b>Tax Exemption:</b>	See "Tax Exemption" herein.
<b>Certifying Agent:</b>	Webster Bank, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103
<b>Verification Agent:</b>	McGladrey & Pullen, LLP
<b>Trustee, Registrar, Transfer Agent, Escrow Agent &amp; Paying Agent:</b>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103
<b>Legal Opinion:</b>	Levy & Droney, P.C., of Farmington, Connecticut will act as Bond Counsel.

**Delivery:** It is expected that delivery of the Bonds in book-entry-only form to The Depository Trust Company will be made on or about May 14, 2003.

**Final Official Statement:** This Official Statement is in a form “deemed final” by the City for the purposes of SEC Rule 15c2-12(b)(1).

**Continuing Disclosure:** See Appendix C - “Form of Continuing Disclosure Agreement” herein. The City has entered into a Disclosure Dissemination Agent Agreement with Digital Assurance Certification, L.L.C. (“DAC”) to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934. DAC information is available at no charge at [www.dac-ey.com](http://www.dac-ey.com).

For additional copies of the Official Statement or requests for additional information, please contact Barry J. Bernabe, CCM, Vice President, Webster Bank, 185 Asylum Street, Hartford, Connecticut 06103, telephone (203) 578-2203.

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## INTRODUCTION

The purpose of this Official Statement is to provide certain financial information and economic and demographic data relevant to the City of Waterbury, Connecticut (the “City”) in connection with the sale of \$13,300,000 General Obligation Tax Revenue Intercept Refunding Bonds, Issue of 2003 (the “Bonds”) of the City.

The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds, and, if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All quotations and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

The information in this Official Statement has been prepared by the City’s financial advisor, Webster Bank (the “Financial Advisor”), from information supplied by City officials and other sources as indicated. The Financial Advisor does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. An agreement between the City and the Financial Advisor has been entered into to conform to Municipal Securities Rulemaking Board Rule G-23. Webster Bank will certify the Bonds upon original issue, and U.S. Bank National Association, of Hartford, Connecticut will act as Trustee, Registrar, Transfer Agent, Escrow Agent and Paying Agent for the Bonds.

The independent auditors for the City are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A – “Auditor’s Section” herein), and they make no representation that they have independently verified the same.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix B herein), and it makes no representation that it has independently verified the same.

The Underwriter and Underwriter’s Counsel for the Bonds are not passing upon and do not assume responsibility for the accuracy and completeness of the statements made in this Official Statement, and they make no representation that they have independently verified the same.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OR NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SECTION I - SECURITIES OFFERED

### Description of the Bonds

The Bonds will be issued in the aggregate principal amount of \$13,330,000 will be dated May 1, 2003 and will be due as set forth on the inside front cover hereof. The Bonds will be certified by Webster Bank and will bear interest from their dated date to maturity at the rate or rates per annum as indicated on the inside front cover hereof. Interest will be payable semiannually commencing August 1, 2003 and each February 1 and August 1 thereafter. Interest shall be computed on the basis of a 30-day month and a 360-day year.

The Bonds, together with all other general obligation bonds of the City heretofore or hereafter issued under the Indenture (the "Parity Bonds"), are payable from all Taxes (as defined in the Indenture), charges, fees, interest and penalties paid to the City with respect to such fiscal year (the "Tax Revenues") deposited to the tax revenue fund established pursuant to the Indenture (the "Tax Revenue Fund").

The Bonds will be issued only as fully registered bonds without coupons with one bond certificate for each maturity and, when issued, will be registered in the name of Cede & Co., as bondholder and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds may be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests will not receive certificates representing their interests in the Bonds. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. Upon receipt from the City, the paying agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co., is the bondholder.

Disbursement of such payments to the beneficial owners of the Bonds will be the responsibility of DTC and any DTC participant. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "Book-Entry-Only System" herein.

The Bonds are **not** subject to redemption prior to maturity.

### Authorization and Purpose

**\$13,330,000 Refunding Bonds:** Pursuant to a vote taken by the City of Waterbury Board of Aldermen at its regularly scheduled meeting of March 10, 2003, the City authorized the issuance of bonds in an amount up to \$50,000,000 for the purpose of refunding the aggregate principal amount of the City of Waterbury bonds dated August 12, 1993 (see "The Refunding Plan" herein). Such authorization was approved by a vote of the Waterbury Financial Planning and Assistance Board at a special telephone meeting held on March 14, 2003.

### Security and Remedies

**General.** The Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the City, and under existing statutes, the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation on its power to tax such dwelling houses.

**Intercept Revenues.** In addition to the full faith and credit pledge for the payment of the principal of and interest on the Bonds, payment of the Bonds, together with all Parity Bonds, is secured by a tax revenue intercept mechanism established under the Indenture. Pursuant to the Indenture, the tax revenue intercept provides for a first lien on all funds held by the Trustee for the payment of principal and interest on all such

general obligation bonds of the City and for the payment of interest on all general obligation notes of the City on a parity basis. Pursuant to the Sixth Supplemental Indenture, the tax revenue intercept is funded by intercepts commencing as of July 1 each year with respect to the greater of the Existing Bond Debt Service Requirement (as defined in the Indenture) for the period from July 1 through June 30 of the following year or the All Bond Debt Service Requirement (as defined in the Indenture) for the period from July 1 through February 28 of the following year and as of January 1 each year with respect to the lesser of the Additional Bond Debt Service Requirement (as defined in the Indenture) for the period from March 1 through February 28 of the following year or the All Bond Debt Service Requirement for the period of March 1 through June 30 of such year.

Funds intercepted under the Indenture consist of all Taxes (as defined in the Indenture), charges, fees, interest and penalties paid to the City with respect to such fiscal year (the "Tax Revenues" as defined in the Indenture). All Parity Bonds shall be entitled to share in the security provided by the Tax Revenues on a parity basis, irrespective of date of issue or maturity, principal amount, interest rate, or redemption provisions. Pursuant to the Act, the City may not issue bonds, notes, or other obligations to which its full faith and credit are pledged, unless such bonds, notes or other obligations are entitled to the benefit of the tax revenue intercept established under the Indenture. While the Assistance Board remains in existence pursuant to the Act, the issuance by the City of any such general obligation bonds or notes is subject to the approval of the Assistance Board.

**Bondholder Remedies.** The City is subject to suit on its bonds or notes, and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefore or, in the absence thereof, to order the City to take all lawful action to obtain the same, including, with respect to the Bonds, the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds or notes would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Connecticut General Statutes Section 7-566 provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. In addition, the Act provides that the City shall not become a debtor under Chapter 9 of Title 11 of the United States Code, as from time to time amended, without the written consent of the Governor so long as any borrowings secured by the Special Capital Reserve Fund pursuant to the Act remain outstanding.

**THE CITY OF WATERBURY, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OF OR INTEREST ON ITS BONDS OR NOTES.**

### **Summary of the Act**

#### **General**

The Act declares that a financial emergency exists in the City which requires the imposition of financial management controls to maintain access by the City to the public credit markets, to fund the City's accumulated deficit and to restore financial stability to the City. The Act defines the period of such financial emergency and empowers the Assistance Board to determine when the Review Period ends, based upon its finding that the City's operating funds have been in balance for five consecutive years, the financial plan projects positive operating fund balances for the next three years, and audits have been completed and unqualified for five consecutive years. While any deficit funding bonds or interim funding obligations issued pursuant to the Act remain outstanding, in the event that the City incurs an audited annual budgetary deficit in its general fund in excess of one-half of one per cent of its most recently completed annual budget, fails to fund pension contributions in accordance with actuarial recommendations, fails to implement revaluation in accordance with



Section 12-62 of the General Statutes or fails to fund its internal service funds at a level necessary to avoid the accumulation of retained earnings deficits, the Assistance Board may, at the direction of the Secretary, be reestablished and may reassume the duties, powers and functions granted to it by the Act and shall remain in existence until the provisions of the Act are again satisfied.

The Act provides for the following financial management controls which must exist during the Review Period: (1) the development and maintenance of a three-year financial plan; (2) the adoption of annual budgets which, in general, provide for the payment when due of all of the City's debt obligations and other obligations and the maintenance of a balanced budget; (3) the creation of one or more special capital reserve funds; (4) the appointment of a trustee to accept taxes and certain other revenues of the City for the purpose of maintaining a debt service fund for the payment of debt service on outstanding bond and note issues of the City and to distribute remaining Intercept Revenues to the City for use in operating the City; and (5) the establishment of the Assistance Board to approve the annual budget, approve the financial plan, approve all short- and long-term borrowing by the City, and monitor the financial operations of the City.

### **Waterbury Financial Planning and Assistance Board**

**Membership, Proceedings, Expenses.** The Assistance Board consists of seven members: the Secretary; the State Treasurer; the Mayor of the City of Waterbury; and four members appointed by the Governor, one of whom shall be a resident of the City, one of whom shall be affiliated with a business located in the City, one of whom shall have an expertise in finance and one of whom shall be the chief executive officer of a bargaining unit representing employees of the City who is jointly recommended by a majority of the chief executive officers of such units. Both the State Treasurer and the Secretary of the Office of Policy and Management may designate a representative to act fully in their behalf.

The Secretary is designated as the Assistance Board's chairman and he or his representative shall preside over all Assistance Board meetings. A majority of the voting membership of the Assistance Board shall constitute a quorum and all action requires a majority vote of the voting membership of the Assistance Board. A record of all proceeding must be maintained in whatever form the Assistance Board desires, provided that the records indicate individual attendance and votes cast. The Assistance Board is subject to the State's Freedom of Information Act.

The Assistance Board is authorized to hire consultants experienced in municipal finance or accounting to help accomplish its purposes.

The members of the Assistance Board as of March 2003 are:

<u>Name</u>	<u>Appointing Authority</u>	<u>Position</u>
Marc S. Ryan	ex officio	Secretary of the Office of Policy and Management of the State
Denise L. Nappier	ex officio	State Treasurer
Michael J. Jarjura	ex officio	Mayor, City of Waterbury
George Hajjar	Governor	Owner, David Jewelers (Resident)
Ralph Carpinella	Governor	President, Carpin Manufacturing, Inc. (Business Owner)
James Mullen	Governor	Chairman, H.D. Segur, Inc. (Financial Expert)
Jack Cronan	Governor	President, Waterbury Teachers' Association

**General Powers, Duties, Responsibilities.** The Act requires the Assistance Board to review the City's actions in budgetary and financial matters during the Review Period. All borrowing by the City must be done in compliance with the Act's provisions and all borrowing requires the approval of the Assistance Board. Each officer and employee of the City is required to comply with any valid order of the Assistance Board. In the event of non-compliance, the Act provides for disciplinary action against officers and employees of the City and, as a last resort, the Assistance Board is authorized to seek a writ of mandamus to compel compliance, acting by and through the Attorney General.

The Assistance Board is given the following powers, duties and functions under the Act: the Assistance Board shall review and approve or disapprove the City's annual budget, including, but not limited to, the

governmental funds, enterprise funds, and internal service funds; review and approve or disapprove an initial financial plan of the City; review and approve or disapprove the proposed terms of any deficit funding bonds or interim funding obligations pursuant to the Act or any other bonds, notes or other obligations of the City; approve or reject all collective bargaining agreements for a new term and other modifications, amendments or reopeners to an agreement to be entered into by the City or any of its agencies or administrative units, including the board of education; with respect to labor contracts in or subject to binding arbitration, serve as the binding arbitration panel; review and approve or disapprove any contract and any renewal, extension or modification thereof not covered by collective bargaining contemplating the expenditure in either the current or any future fiscal year of more than fifty thousand dollars and set aside any contracts which have not been authorized in accordance with the requirements of any state or local law; review and approve all bond ordinances and bond resolutions of the City; approve transfers of appropriations made by the Board of Aldermen; appoint one or more independent auditors; audit compliance with the financial plan and the annual budget; require the City to implement such measures relating to the efficiency and productivity of the City's operations and management as the Assistance Board deems appropriate; obtain information on the financial condition and needs of the City; monitor compliance with, require implementation or implement the provisions governing revaluation; monitor the funding of pension contributions in accordance with actuarial recommendations; approve or disapprove or appoint the chief negotiator for the City for the purposes of collective bargaining; study the recommendations on addressing the unfunded liability; and report to the Governor and the General Assembly on or before July 1, 2001, and every six months thereafter, regarding the fiscal condition of the City and compliance with the Act.

In addition to the foregoing, the Assistance Board may: review and approve or disapprove the budget of the City's board of education on a line-item basis and may require the board of education to submit to it any budget transfers; appoint an emergency financial and administrative manager and delegate to such manager, in writing, such powers as the Assistance Board deems necessary or appropriate for the purpose of managing the financial and administrative affairs of the City; retain such consultants experienced in the field of municipal finance, municipal law, governmental operations and administration or governmental accounting as it shall deem necessary or desirable for accomplishing its purposes; make a request to the representative of an employee bargaining unit or the unit members to reopen the negotiation process and present a proposed revision to a contract; order any official or employee of the City or any agency or administrative unit thereof, including any member or employee of the board of education, to implement any decisions of the Assistance Board; override any action or decision of the Mayor, Board of Aldermen or other City employee which action or decisions affects the economic viability of the City, including, but not limited to, decisions with respect to personnel and other administrative hires; review any existing contract of the City, not covered by collective bargaining, to determine if such contract is in the best interest of the City and shall have the power to set aside such contract provided there is no significant penalty to the City as a result of such action; and issue deficit funding bonds and interim funding obligations in the name and on behalf of the City as provided in the Act and in doing so, require the City to comply with the provisions of the Act.

### **Issuance of Deficit Funding Bonds**

**Bonding Authorization; Purposes; Proceeds.** The Act authorizes the City's Board of Aldermen, by majority vote, subject to approval of the Assistance Board, to authorize the issuance of deficit funding bonds and interim funding obligations in order to fund the budget deficit that has accumulated through the period ending June 30, 2001. In accordance with the provisions of the Act, the City issued its deficit funding bonds in the amount of \$97,465,000 on April 11, 2002, which bonds remain outstanding under the Indenture. The deficit funding bonds are further secured by a special capital reserve fund as provided by the Act. None of the City's other obligations are secured by such special capital reserve fund.

### **City Budget**

No annual budget, annual tax levy or user fee for the City shall become operative until it has been approved by the Assistance Board. If the Assistance Board disapproves any annual budget, it shall adopt an interim budget and establish a tax rate and user fees in accordance with the Act. Such interim budget shall take effect at the commencement of the fiscal year and shall remain in effect until the City submits and the Assistance Board approves a modified budget.

## **Financial Plan**

Pursuant to the Act, the City shall submit a financial plan annually commencing with the first fiscal year next succeeding the establishment of the Assistance Board.

The Assistance Board shall approve or disapprove the financial plan. If it determines that the financial plan is complete and complies with the Act, the Assistance Board shall approve the financial plan. The City submitted the internal Financial Plan on March 6, 2002 which was approved by the Assistance Board on March 20, 2002.

The Assistance Board shall disapprove the financial plan if in its judgment finds that: (1) the financial plan is incomplete; (2) the revenue and spending projections are based on unreasonable or erroneous assumptions; (3) the financial plan fails to provide that City operations will be conducted within available cash resources; or (4) the financial plan fails to comply with the provisions of the Act pertaining to financial plan requirements.

After the initial approval of a financial plan, the Assistance Board shall regularly examine such plan in consultation with the City and may require the City to provide a modified financial plan. If the City fails to make any modifications to the financial plan, the Assistance Board shall make the modifications.

## **Real Property Tax Levy**

With respect to each budget year the Board of Aldermen must levy real property taxes in an amount sufficient to pay general fund current expenditures. If the Assistance Board rejects the budget, the Assistance Board shall develop and approve an interim budget for the City in the place of any budgets so rejected and set a tax rate and user fees.

## **Summary of the Indenture**

The following is a summary of certain provisions of the Indenture pursuant to which all of the City's general obligation debt including the Bonds are issued. The Bonds, together with all of the City's general obligation debt heretofore or hereafter issued, are referred to in this section as the "Parity Bonds." This summary should not be regarded as a full statement of the document itself or of the portions summarized. Reference is made to the document in its entirety for a complete statement of the provisions thereof, copies of which are on file at the principal corporate trust office of the Trustee and at City Hall. All capitalized terms used herein and not otherwise defined below or elsewhere in this Official Statement shall have the meanings assigned to such terms in the Indenture. See Appendix E - "Summary of Certain Definitions in the Indenture" herein.

## **Intercept of Tax Revenues**

In addition to the full faith and credit pledge of the City, and in order to further secure Parity Bonds, the City has established the Tax Revenue Intercept, for the purpose of funding the Tax Revenue Fund and the Debt Service Fund.

Tax Revenues of the City are paid directly to the Trustee. The City is to implement all procedures and take all action necessary to provide for the direct payment and deposit of Tax Revenues to the Trustee, including the following:

- (a) all tax bills mailed to taxpayers shall enclose a self-addressed envelope for the taxpayer to use in mailing Taxes to the City which shall have such address as the Trustee shall determine, provided that the address shall enable the Trustee to directly deposit tax payments received thereby to the Tax Revenue Fund;
- (b) the City shall cause all Taxes paid at the Tax Collector's Office in City Hall, or wherever such tax collection offices shall in the future be established, to be segregated from all other payments received at such office, brought not less frequently than daily to a branch office of the Trustee as it shall designate, and deposited pursuant to directions of the Trustee to the Tax Revenue Fund;

- (c) the City shall cause all Taxes paid at, to, or authorized to be paid at any bank, financial institution, business or other agent of the City to be deposited in an account in the name of the Trustee and the funds therein shall not less frequently than daily be transferred to the Tax Revenue Fund;
- (d) the Trustee and the City may make agreements with any taxpayer, including any banking institution or mortgage company, for the direct payment of Taxes to the Trustee in a manner different from that set forth in subsections (a), (b), and (c) above, provided such agreement shall not cause the City, its employees, officials or agents to receive, hold, or have possession of such Taxes, other than as set forth in said subsections, prior to deposit of such Taxes to the Tax Revenue Fund.
- (e) the City shall cause all proceeds derived from the issuance of bonds, notes or other obligations issued in anticipation of the receipt of taxes to be deposited directly to the Tax Revenue Fund.

#### **Deposit of Tax Revenues by the Trustee**

- (a) Tax Revenues received by the Trustee are deposited into the Tax Revenue Fund.
- (b) Commencing July 1 of each year, not less frequently than daily the Trustee determines and transfers the amount of Immediately Available Funds in the Tax Revenue Fund to the Debt Service Fund until the amount in the Debt Service Fund is at least equal to the greater of (i) the Existing Bond Debt Service Requirement for the period from July 1 through June 30 of the following year, or (ii) the All Bond Debt Service Requirement for the period from July 1 through February 28 of the following year. All additional Tax Revenues received by the Trustee through December 31 of such year shall be deposited into and held in the Tax Revenue Fund until released to the City pursuant to the Indenture.
- (c) Commencing January 1 of each year, not less frequently than daily, the Trustee determines and transfers Immediately Available Funds in the Tax Revenue Fund to the Debt Service Fund until it has transferred to the Debt Service Fund an amount equal to the lesser of (i) the Additional Bond Debt Service Requirement for the period from March 1 through February 28 of the following year, or (ii) ) the All Bond Debt Service Requirement for the period from March 1 through June 30 of such year. All additional Tax Revenues received by the Trustee through June 30 of such fiscal year shall be deposited into and held in the Tax Revenue Fund until released to the City pursuant to the Indenture.
- (d) At such time as no Parity Bonds issued on or prior to July 1, 2001 remain Outstanding and such earlier date to the extent permitted by the Indenture, the following provisions shall apply in lieu of the provisions set forth above.
  - (i) Tax Revenues received by the Trustee shall be deposited into the Tax Revenue Fund.
  - (ii) Commencing July 1 of each year, not less frequently than daily, the Trustee shall determine and transfer the amount of Immediately Available Funds in the Tax Revenue Fund to the Debt Service Fund until the amount in the Debt Service Fund is equal to the greater of (i) one-half the Debt Service Requirement or (ii) the Debt Service Requirement for the period from July 1 through February 28 for such year. All additional Tax Revenues received by the Trustee through December 31 of such year shall be deposited into and held in the Tax Revenue Fund until released to the City pursuant to the Indenture.
  - (iii) Commencing January 1 of each year, not less frequently than daily, the Trustee shall determine and transfer the amount of Immediately Available Funds in the Tax Revenue Fund to the Debt Service Fund until the amount in the Debt Service Fund is at least equal to the Debt Service Requirement. All additional Tax Revenues received by the Trustee through June 30 of such fiscal year shall be deposited into and held in the Tax Revenue Fund until released to the City pursuant to the Indenture.

## **Disbursements of Tax Revenues from the Tax Revenue Fund**

Amounts held in the Tax Revenue Fund are disbursed and paid by the Trustee as follows:

first, at any time the Trustee shall determine that the Debt Service Requirement is not met, the Trustee shall immediately transfer amounts in the Tax Revenue Fund to the Debt Service Fund until the Debt Service Requirement is satisfied;

second, at any time, but only upon compliance with paragraph first hereinabove, the Trustee shall determine that the amount on deposit in the Special Capital Reserve Fund is less than the Special Capital Reserve Fund Minimum Requirement, the Trustee shall immediately transfer amounts in the Tax Revenue Fund to the Special Capital Reserve Fund until the Special Capital Reserve Fund Minimum Requirement is satisfied;

third, at any time, but only upon compliance with paragraphs first and second hereinabove, that the Trustee shall determine that there is a deficiency in any other fund or account established under the Indenture, the Trustee shall immediately transfer amounts in the Tax Revenue Fund to such other fund or account to cure the deficiency therein;

fourth, at any time, but only upon compliance with paragraphs first, second and third hereinabove, the Trustee shall determine that the amount in the Debt Service Fund is not less than the Debt Service Requirement and that the amount in the Special Capital Reserve Fund is not less than the Special Capital Reserve Fund Minimum Requirement, amounts held in the Tax Revenue Fund shall be held by the Trustee and may be paid to the City free and clear of any liens pursuant to the City's directions delivered in writing by an authorized officer of the City.

## **Disbursements of Moneys in the Debt Service Fund**

The Trustee is to transfer moneys from the Debt Service Fund to the Paying Agent on each Interest Payment Date for the payment of interest then due on the Parity Bonds. The Trustee shall pay out of the Debt Service Fund to the Paying Agent any amounts required for the payment of accrued interest upon any redemption or purchase of the Parity Bonds.

The Trustee shall transfer moneys out of the Debt Service Fund, to the Paying Agent on the Business Day next preceding each principal maturity date or Amortization Requirement date, as the case may be, for the payment of the principal amount or Amortization Requirement, as the case may be, of the Parity Bonds then due.

## **Certain Covenants of the City**

**Tax Revenues.** In the Indenture, the City covenants that the Tax Revenues payable to the City on and after July 1, 2002 shall be sufficient at all times (i) to pay the principal of and interest on the Parity Bonds as the same become respectively due and payable by redemption or otherwise; (ii) to maintain the Debt Service Fund at the requirements for the Debt Service Requirement; (iii) to maintain any other funds and accounts established pursuant to this Indenture, including the Debt Service Fund at the Debt Service Requirement level; and (iv) to pay the expenditures of the City and the Trustee incurred in relation to the Indenture.

**Accounts and Audits.** In the Indenture, the City covenants to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Indenture, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the City, shall be subject to the inspection of the Trustee, or of any owner of a Parity Bond or his representative duly authorized in writing.

**Arbitrage Covenant.** In the Indenture, the City covenants that it will not take any action or fail to take any action with respect to the Parity Bonds which would cause the Parity Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder as amended from time to time.

**Tax Covenants Relating to the Code.** In the Indenture, the City covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Parity Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Parity Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the funds and accounts established under the Indenture and available therefor.

**Additional Bonds Covenant.** In the Indenture, the City covenants that any additional Parity Bonds issued under the Indenture shall mature or be subject to sinking fund installments that, when combined with all other Parity Bonds under the Indenture, will result in scheduled debt service payments on all Outstanding Parity Bonds being substantially proportional to the City's anticipated receipt of Tax Revenues on a semi-annual basis.

### **Events of Default**

Each of the following events is an event of default under the Indenture ("event of default"):

- (a) Payment of the principal of any of the Parity Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) Payment of an installment of interest on any Parity Bonds shall not be made when the same shall become due and payable; or
- (c) Any proceeding shall be instituted, with the consent or acquiescence of the City, for the purpose of filing bankruptcy under the Bankruptcy Code or any successor thereto; or
- (d) The City shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Parity Bonds or in the Indenture on the part of the City to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Parity Bonds; or
- (e) Any other event of default provided for in any Supplemental Indenture with respect to the issuance of Additional Bonds shall have occurred.
- (f) The City shall fail or refuse to comply with the provisions of Section 6 of the Act, or such amounts as shall be certified by the Director of Finance of the City to the State Treasurer and Secretary pursuant to such provisions of the Act shall not be allotted and paid, from the state general fund, to the City and such allotment and payment is not made prior to the second day succeeding the final adjournment of (a) the session of the General Assembly of the State convening when such certification shall have been made or, if the General Assembly is not then in session, (b) the first session of the General Assembly of the State convening after such certification shall have been made; or
- (g) The City shall fail or refuse to comply with the provisions of the Act, other than as provided above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture, any Supplemental Indenture, or in the Special Capital Reserve Fund Bonds contained, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Special Capital Reserve Fund Bonds.
- (h) Any Event of Default set forth in subsection (f) or (g) above shall not constitute an Event of Default with respect to any general obligation bond hereunder other than a Special Capital Reserve Fund Bond.

## **Enforcement of Remedies**

Upon the happening and continuance of any event of default, then and in every such case, the Trustee may proceed, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the outstanding Parity Bonds shall proceed (subject to the provisions of the Indenture) to protect and enforce its rights and the rights of the owners of the Parity Bonds under the laws of the United States, State of Connecticut or under the Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for principal or interest or otherwise under any of the provisions of the Indenture or of the Parity Bonds, with interest on overdue payments at the rate or rates of interest specified in such Parity Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Parity Bonds, without prejudice to any other right or remedy of the Trustee or of the owners of such Parity Bonds, and to recover and enforce judgment or decree against the City but solely as provided herein and in such Parity Bonds, for any portion of such amounts remaining unpaid, with interest, cost and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

In the event the City shall be in default with respect to a failure of the Tax Revenue Intercept to provide sufficient funds for timely debt service payment on the Parity Bonds, the Trustee may seek, and the superior court may order, the levy at any time of a special tax to meet any debt service payments due and owing or to make any required payments into the Debt Service Fund. The superior court of the Waterbury Judicial District shall have jurisdiction and shall be the venue for any action at law or equity to enforce any of the provisions of the Indenture.

**Majority of Bondowners May Control Proceedings.** Subject to the provisions of the Indenture, the owners of a majority in principal amount of the outstanding Parity Bonds shall have the right, with respect to the majority of Bondowners only by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

**Restrictions Upon Action by Individual Bondowners.** No owner of any of the Parity Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Parity Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 90 days. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy under the Indenture. It is understood and intended that no one or more owners of the Parity Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all owners of the outstanding Parity Bonds.

## Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:

Principal amount of the Bonds .....	\$13,330,000.00
Accrued interest .....	20,728.68
Net original issue premium .....	<u>884,257.60</u>
Total sources .....	\$14,234,986.28

Uses:

Refunding bond escrow deposit fund .....	\$13,905,681.00
Costs of issuance .....	130,000.00
Underwriter's discount .....	63,075.00
Bond insurance premium .....	113,564.02
Accrued interest .....	20,728.68
Additional proceeds .....	<u>1,937.58</u>
Total uses .....	\$14,234,986.28

## The Refunding Plan

The Bonds are being issued to refund at or prior to maturity the City's outstanding General Obligation Bonds dated August 12, 1993 as set forth below (the "Refunded Bonds"). The refunding is contingent upon delivery of the Refunding Bonds.

<u>Issue</u>	<u>Original Issue</u>	<u>Principal Amount Outstanding</u>	<u>Redemption Date</u>	<u>Payment/ Redemption Price</u>
General obligation bonds dated August 12, 1993 ...	\$30,020,000	\$13,520,000	06/19/03	102%

The Refunded Bonds outstanding mature as set forth below:

<u>Bonds Dated August 12, 1993</u>			
<u>Due April 15</u>	<u>Principal Amount<sup>1</sup></u>	<u>Interest Rate</u>	<u>CUSIP Number</u>
2004 .....	\$2,430,000	5.375%	941247WL8
2005 .....	2,560,000	5.375	941247WL8
2006 .....	2,695,000	5.375	941247WL8
2007 .....	2,840,000	5.375	941247WL8
2008 .....	2,995,000	5.375	941247WL8

<sup>1</sup> Term bond sinking fund installments.

Upon delivery of the Bonds, the gross proceeds of the Refunding Bonds will be placed in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association as escrow holder (the "Escrow Holder") under an Escrow Agreement (the "Escrow Agreement") dated May 14, 2003 between with U.S. Bank National Association and the City. The Escrow Holder will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America (the "Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to meet principal and interest payments on the Refunded Bonds on the dates such payments are due. The City will pay all costs of issuance of the Refunding Bonds, including Underwriter's discount and bond insurance premium, from proceeds of the Bonds or other funds of the City. The Refunding Plan calls for the Escrow Agent, pursuant to the Refunding Bond Resolution and the Escrow Agreement, to call for the redemption of the Refunded Bonds. All investment income on and maturing principal of the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal of and interest on the Refunded Bonds will be irrevocably deposited by the City for payment of the Refunding Bonds.



The Connecticut General Statutes provide that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal of and interest on the bonds to be funded by such refunding bonds, such bonds are no longer counted in computing the City's debt for statutory debt limitation purposes.

### **Verification of Mathematical Computations**

The accuracy of the mathematical computations relating to the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested cash, if any, to pay when due the principal of and interest on the Refunded Bonds will be verified by McGladrey & Pullen, LLP, independent certified public accountants. Such verification shall be based upon information and assumptions supplied by the Underwriter and the City.

### **School Construction Grants**

Under State law existing when the school projects funded by a portion of the Refunded Bonds were approved, a municipality issued bonds for the entire amount needed for a school construction project and a State grant generally was paid by the State reimbursing the municipality for a certain percentage of principal and interest payments on such bonds when due. The City will receive State grant funds for the school project (financed with the Refunded Bonds) when principal and interest payments on the Bonds are due. A reduction in State grant funds will be calculated after the issuance of the Bonds to reflect savings in debt service.

### **Bond Insurance**

XL Capital Assurance has made a commitment to issue a municipal bond insurance policy relating to the Bonds effective as of the date of issuance of the Bonds. See Appendix D- "Bond Insurance" herein.

### **Ratings**

Upon issuance of the Municipal Bond Insurance Policy by the Bond Insurer, the Bonds will be rated Aaa, AAA, and AAA by Moody's Investor's Service ("Moody's"), Standard & Poor's Rating Service, a division of the McGraw-Hill Companies, Inc. ("Standard & Poor's") and Fitch Ratings ("Fitch"), respectively. On April 16, 2003, Moody's assigned an underlying rating of Baa2 to the Bonds and reaffirmed its Baa2 rating on the City's parity debt outstanding. On April 23, 2003, Standard & Poor's assigned an underlying rating of BBB- with a stable outlook to the Bonds and reaffirmed its BBB- and rating stable outlook on the City's parity debt outstanding. On April 17, 2003, Fitch assigned an underlying rating of BBB- with a stable outlook to the Bonds and reaffirmed its BBB- rating with a stable outlook on the City's parity debt outstanding.

The ratings assigned by Moody's, Standard & Poor's and Fitch express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Bonds may have an effect on the market price thereof.

### **Tax Exemption**

#### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. Failure to comply with the continuing requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Bonds, the City will covenant to comply with certain procedures, and will make certain representations and covenants designed to assure compliance with such requirements of the Code.

Pursuant to the Tax Regulatory Agreement, the City agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that such amounts shall be excluded from gross income of the owners thereof for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based upon and assuming continuing compliance by the City with the covenants, and the accuracy of the representations, discussed above, under existing law, the interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not treated as a preference item for purposes of calculating the federal alternative minimum tax with respect to individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in determining adjusted current earnings of corporations for purposes of computing the federal alternative minimum tax.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

### **Original Issue Discount**

The initial public offering prices of the Bonds of certain maturities (the "OID Obligations") are less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Obligations to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Obligations are sold will constitute Original Issue Discount ("OID"). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Obligations are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Obligations are sold. Under existing law OID on the Obligations accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Obligations are not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Obligation, OID treated as having accrued while the owner holds the OID Obligation will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Obligation. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Obligation will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, the ownership of an OID Obligation by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Obligations should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Obligations purchasing such Obligations after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Obligations.

### **Original Issue Premium**

The initial offering prices of the Bonds of certain maturities (the "OIP Obligations") are more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Obligations should consult their tax advisors regarding the amortization of premium and the effect upon basis.

### **Certain Additional Federal Tax Consequences**

The following is a brief discussion of certain federal income tax matters with respect to the Bonds under existing statutes. As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on

the Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Prospective purchasers of the Bonds should consult their own tax advisors as the applicability and impact of such consequences.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

### **State Taxes**

In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a Bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of OID Obligations or OIP Obligations should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of OID Obligations or OIP Obligations.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof.

### **General**

The opinion of Bond Counsel is rendered as its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

### **Qualification for Financial Institutions**

The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

## **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that its participants ("Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to securities. Under its usual procedures DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from issuer or agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is the responsibility of the City or the agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

#### **DTC Practices**

The City can make no assurances that DTC, DTC Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its Participants which are on file with the Securities and Exchange Commission.

#### **Underwriting**

The Bonds are being purchased by A.G. Edwards & Sons, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at the net aggregate purchase price of \$14,151,182.60 (consisting of the principal amount of \$13,330,000, plus original issue premium of \$884,257.60, less underwriter's discount of \$63,075.00), plus accrued interest to the date of issuance. The Underwriter will be obliged to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

## SECTION II - THE ISSUER

### Description of the City

Waterbury was founded in 1674, incorporated as a village in 1686 and as a city in 1853. Located in the west-central portion of the State, the City is 21 miles north of New Haven, 29 miles southwest of Hartford, and 24 miles east of Danbury. The City operates under a Mayor-Board of Aldermen form of government with officials elected at regular biennial elections.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, I-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, I-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and Interstate 80. Route 8 south meets the Connecticut Turnpike (I-95) in Bridgeport, making all of southern Connecticut and Fairfield County easily accessible. To the north, Route 8 ultimately leads to the Massachusetts Turnpike.

Rail passenger and freight service in the area are operated by Metro North and Conrail, respectively. Daily passenger round trips are made between Waterbury and New York City, and freight service via New Haven makes shipments possible to any point in the country.

Waterbury serves as a center of higher education for the area, being the home of Teikyo Post University, Naugatuck Valley Community-Technical College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the University of New Haven and the University of Bridgeport. Public City school facilities include four high schools, seven middle schools and 19 elementary schools. There are eleven private or parochial elementary schools, four private or parochial high schools and one vocational-technical high school.

Waterbury provides its residents with a variety of housing options in all price ranges. Single-family dwellings from modest to luxurious, multi-family homes, apartments and condominiums meet the needs of workers and residents. Waterbury provides special housing for senior citizens and for low- and middle-income families and assisted living facilities.

Public parks and recreation facilities offering tennis, swimming pools, ball fields, ice skating, and recreational programs are located throughout the City. In addition, the City offers bathing, boating, and fishing facilities at Lakewood Park within the City and at Lake Quassapaug and Hitchcock Lake just outside the City limits. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, while several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State Forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattatuck Historical Museum are just a few of the many cultural institutions serving Waterbury area residents.

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson entitlement and public funds. There are over 170,000 volumes in the main library available to the public, while a branch library operates in the Bunker Hill section.

The City's second magnet school, the Rotella Regional Arts Magnet School, opened in October 2000. The Rotella School, like the Maloney Magnet School that opened in 1996, is fully funded by the State of Connecticut and requires that at least 20% of Rotella students be from nearby school districts. The State has approved a third magnet school in conjunction with the Downtown Revitalization Project, as described more fully in "Economic Development" herein. Construction is currently under way. These magnet schools address a statewide mandate for greater social and ethnic diversity. Waterbury's schools are considered "racially balanced" by the State of Connecticut Department of Education.

## Description of Government

The City is governed by a Mayor who serves for a two-year term and a Board of Aldermen made up of 15 members elected for two-year terms. Also elected are the City Clerk, Town Clerk, Sheriff, Tax Collector, and the ten-member Board of Education. Other officials are appointed by the Mayor.

A multi-year effort to revise the City's charter is under way. With a successful referendum vote in November 2002, the first phase of charter revision has been approved and adopted. Among other things, the first phase involves many reforms to organizational and administrative matters, which as a result, were shifted to ordinance-level law. The second phase of charter revision is currently being drafted by the City's Charter Revision Commission and is expected to focus on the related components.

Certain of the provisions of the recently revised Charter are as follows:

**Civil Service and Personnel Ordinance.** The Mayor has appointed a task force for the purpose of reviewing the civil service provisions contained in Chapter 12 of the Charter and proposing a replacement ordinance, if any. The task force must consult with the Director of Personnel and the Civil Service Commission and shall report a proposed ordinance to the Mayor and Board of Aldermen within six months from the date of the adoption of the Charter at referendum. The task force is also empowered to consider ordinance provisions to further effectuate the powers of the Personnel Director and the Department of Personnel, as permitted under the Charter.

**Pensions.** The Mayor has instructed the Corporation Counsel (in consultation with the Retirement Board) to prepare an ordinance pertaining to pensions and retirement system. The Corporation Counsel has reported Part 1 of this proposed ordinance to the Mayor and Board of Aldermen and the ordinance was adopted by the Board of Aldermen on April 7, 2003. Part 1 of the ordinance details the administration, powers and duties of the Retirement Board with respect to the City's pension and retirement system. Part 2 of this ordinance will delete obsolete charter provisions relating to the City's pension and retirement system and may address additional matters concerning the City's pension and retirement system.

**Ethics and Conflicts of Interest Ordinance.** The Corporation Counsel, upon instruction by the Mayor, in consultation with the members of the Board of Ethics, is preparing an ordinance to replace the current Charter provisions. The ordinance shall include provisions governing and regulating ethics and conflicts of interest and allowing for the investigation of unethical conduct, corrupting influence or illegal activities by any municipal official, officer or employee, as authorized by the General Statutes.

The Corporation Counsel shall report said proposed ordinance to the Mayor and Board of Aldermen within six (6) months from the effective date of the Charter. Until the effective date of a replacement Ordinance, the conflict of interest provisions contained in the prior Charter shall remain in full force and effect.

**Adoption of an Ordinance pertaining to the execution of Contracts and Budget Transfers.** The Charter requires ordinances relating to contracts (and procedures relating thereto) and the disposition process for property, including the improvements thereon. The Corporation Counsel has the responsibility to approve all written contracts of the City.

This ordinance includes a requirement that all requests to the Purchasing Director for the acquisition of services or commodities be accompanied by written verification of the Budget Director that unexpended and unencumbered appropriated funds are available for the requested purpose. A request for any proposed contract with a term exceeding one (1) year must be accompanied by evidence of approval by the Board of Aldermen authorizing such a term and authorizing the commencement of the procurement process. Contracts obtained outside the competitive bidding process requiring an expenditure in excess of \$50,000 in any fiscal year require the approval of the Board of Aldermen with certain exemptions. Incurrence of any liability or expense by contract or otherwise in excess of appropriations authorized by the Board of Aldermen are prohibited. The Mayor's power to transfer unencumbered appropriations from one classification of expenditure to another within the same agency is limited to \$1,000 per occurrence and \$5,000 in the aggregate.

Such a transfer may be made only upon certification of funds by the Budget Director. Any transfer in excess of such amounts requires approval of the Board of Aldermen.

**The Centralized Purchasing System.** Under the Charter a centralized procurement system was enacted covering the purchase of all supplies, services, materials, equipment and other commodities required. Upon recommendation of the Director of Purchases (following review of the Mayor) the Board of Aldermen shall establish by ordinance the rules and regulations governing the operation of said central purchasing system in a manner consistent with the General Statutes, the Charter, ordinance and standards established by organizations such as the National Institute of Governmental Purchasing and the National Association of State Purchasing Officials as well as the Model Procurement Code and Ordinances prepared by the American Bar Association.

**Finance and Audit Review Commission.** The Charter established the Finance and Audit Review Commission ("FARC") effective on January 1, 2003. Moreover, the functions of the Board of Finance ended on December 31, 2002. The FARC has the authority to examine into all matters relating to the financial and budgetary efficiency, efficacy, and condition of the City. Notwithstanding the executive powers of the Mayor, the Department of Audit is under the direct supervision of the FARC. The FARC is authorized to audit or cause to be audited and examine the books and accounts of all of the departments and officials of the City, including the Department of Education. The FARC is to review the contents of the annual audit and make recommendations to the Mayor regarding the manner and means of improving the administrative processes pertaining to the operations of the City. The FARC is responsible for the general supervision of the Department of Audit and shall give due consideration to requests from the Mayor or the Board of Aldermen in establishing and modifying the work plan of the FARC or its staff. Each officer and employee of any department, institution, board, commission or agency of the City is obligated to assist the FARC and the Department of Audit in carrying out its powers and duties.

**Annual Department Budget Estimates.** The Mayor is to establish a date by which budget estimates are submitted to the Mayor and Director of Finance on forms and in accordance with established procedures. The process needs to be set forth in an ordinance. The Mayor then submits a general, special revenue and capital budget (containing the contents to the Board of Aldermen on or before April 1, which is subjected to at least two required public hearings and final action not later than midnight of the second business day following the first Wednesday after the first Monday in June.

**Budget Responsibilities of the Board of Education.** Pursuant to the Charter, the Board of Education has new responsibilities regarding submission and processing of the budget.

**Public Finance Ordinance.** In accordance with the Charter, the Board of Aldermen by ordinance, shall adopt procedures for structure, timing and method or manner of the issuance and sale of Bonds and Notes. Said ordinance may set forth the respective roles and responsibilities of the Mayor and other city officials with respect to debt planning, issuance and management; including, but not limited to their authority to retain consultants for specialized services.

**The City Treasurer and Collector of Taxes.** These positions are eliminated effective December 31, 2003.

**Part C Boards and Commissions.** The historical organizational structure of the City's Boards and Commissions remain in full force and effect until the effective date of a replacement ordinance pertinent thereto.

Among the terms are the following: (i) the number of Board and Commission members (and, alternates, in the case of the Planning and Zoning Commission and the Zoning Board of Appeals), except as otherwise provided by the General Statutes, the number shall always be odd; (ii) terms of office, which may be staggered and shall not exceed four years; (iii) provision for the appointment of a Chair; (iv) standards for the keeping of records; (v) Aldermanic and minority party representation; (vi) public participation (including, but not limited to, public speaking); and (vii) the frequency of meetings of all Boards and Commissions.



The following Boards are mandated by Charter and needed to be constituted by Ordinance:

- Board of Commissioners of Public Health
- Board of Park Commissioners
- City Plan Commission
- Board of Police Commissioners
- Board of Fire Commissioners
- The Zoning Commission
- Board of Assessment Appeals
- Board of Commissioners of Public Works
- The Retirement Board

The following departments exist under the new Charter:

- The Legal Department and the Corporation Counsel
- The Department of Finance and the Director of Finance (Chief Financial Officer)
- Department of Budget Control
- Department of Information Services
- Department of Purchases
- Personnel Department
- Office of the City Assessor
- Police Department
- Fire Department
- Department of Health
- Department of Inspection

The Charter specifically authorizes the establishment of departments and agencies of the City that deal with key functions such as health, human services, recreation and other community services and the infrastructural, capital and economic development needs of the City. There may be departments responsible for the preservation and promotion of public works, traffic control and engineering, waste management, engineering, parking garages, buildings, including but not limited to school buildings and additions thereto and other city property.

**Removal of Appointed Board and Commission Members by the Mayor.** The Charter requires the establishment, by ordinance, of procedures for the removal of appointed Board and Commission members. The ordinance may also expand upon the grounds for removal which include: (a) misconduct in the performance of duties; (b) persistent absence; (c) unexcused absences from three or more consecutive regular meetings; (d) conviction of a felony; or, (e) conviction of a misdemeanor which would undermine the public confidence in the member's ability to perform the duties of office.

**Civil Service Commission.** The Mayor has the power to appoint members for a term of five years on January 1, 2003, subject to the restrictions in the Charter.

**Board of Ethics.** The Board of Ethics, in tandem with the creation of an ethics ordinance, must adopt and promulgate reasonable regulations for the administration of the Code and ordinances as set forth in the Charter.

**Terms of Office.** The following terms of office will apply to the following offices, pursuant to the Charter:

<b>Election</b>	<b>Offices</b>	<b>Term Starts</b>	<b>Term Ends</b>
2003	Mayor Town Clerk City Clerk City Sheriff Aldermen	1 January 2004	30 November 2005
2003	Board of Education (Group A)	1 January 2004	30 November 2007
2005	Board of Education (Group B)	1 January 2006	30 November 2009
2005	Mayor Town Clerk City Clerk City Sheriff Aldermen	1 December 2005	30 November 2007
2007	Board of Education (Group A)	1 December 2007	30 November 2011
2009	Board of Education (Group B)	1 December 2009	30 November 2013

**Further Changes.** The Waterbury Charter Revision Commission continues to meet to review additional issues which have been raised, and which may be raised by the public and the Commissioners to further refine the City's Charter.

**Waterbury Financial Planning and Assistance Board.** Special Act No. 01-1 of the General Assembly of the State of Connecticut (January Session), as amended (the "Act"), established the Waterbury Financial Planning and Assistance Board (the "Assistance Board"). The Assistance Board was established by the Act to review the financial affairs of the City, to assist the City in achieving access to public credit markets, and to assist the City in funding its accumulated deficit and restoring its financial stability. The Assistance Board exercises broad authority over the City's financial affairs (see "The Waterbury Financial Planning and Assistance Board" herein for additional information).

#### **Principal Municipal Officials**

<b><u>Office</u></b>	<b><u>Name</u></b>	<b><u>Manner of Selection/Term</u></b>	<b><u>Years of Service/ Dates of Appointment</u></b>
Mayor .....	Michael J. Jarjura	Elected - 2 years	16 months
President, Board of Aldermen .....	Paul Vance, Jr.	Elected - 2 years	16 months
President, Board of Education .....	Mary White	Elected - 2 years	16 months
Superintendent of Schools .....	Dr. David L. Snead	Appointed	August 2000
Director of Finance .....	Richard A. Russo	Appointed	October 2000
Director of Budget .....	Ofelia Matos	Appointed	April 2001 <sup>1</sup>
Corporation Counsel .....	Theresa Caldarone	Appointed	October 2000

<sup>1</sup>Served as Interim Director of Budget as a loaned State employee until being officially appointed to the position in December 2002.

### Municipal Employees

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
General Government .....	1,333	1,347	1,324	1,389	1,395	1,385
Board of Education .....	2,132	2,173	2,096	2,004	1,954	1,891
Federally Funded <sup>1</sup> .....	<u>335</u>	<u>233</u>	<u>233</u>	<u>308</u>	<u>313</u>	<u>274</u>
Total .....	3,800	3,753	3,653	3,701	3,662	3,550

<sup>1</sup> Federally Funded programs include W.I.C. Program, LEAD Program, JTPA, and several education programs including Community School, Language Development Program, Adult Basic Education and others.

### School Enrollment<sup>1</sup>

#### *Historical*

<u>School Year</u>	<u>Elementary (K-5)</u>	<u>Middle (6-8)</u>	<u>Senior High (9-12)</u>	<u>Special Education</u>	<u>Total Enrollment</u>
1992-1993 .....	7,147	3,119	3,081	221	13,568
1993-1994 .....	7,317	3,038	3,065	231	13,651
1994-1995 .....	7,556	3,013	2,986	314	13,869
1995-1996 .....	7,663	2,941	2,747	621	13,972
1996-1997 .....	7,780	3,151	2,887	347	14,165
1997-1998 .....	7,832	3,304	2,908	461	14,505
1998-1999 .....	8,272	3,538	3,097	N/A	14,907
1999-2000 .....	8,464	3,675	3,183	N/A	15,322
2000-2001 .....	8,550	3,859	3,340	N/A	15,749
2001-2002 .....	8,705	3,980	3,554	N/A	16,239
2002-2003 .....	9,432	3,900	3,677	N/A	17,009

#### *Projected*

<u>School Year</u>	<u>Elementary (K-5)</u>	<u>Middle (6-8)</u>	<u>Senior High (9-12)</u>	<u>Special Education</u>	<u>Total Enrollment</u>
2003-2004 .....	9,105	4,403	3,790	N/A	17,298
2004-2005 .....	9,290	4,583	3,940	N/A	17,813
2005-2006 .....	9,475	4,763	4,090	N/A	18,328
2006-2007 .....	9,660	4,943	4,240	N/A	18,843

Source: Waterbury Board of Education

<sup>1</sup> School populations reported as of the end of each school year. Projections represent estimates of the Waterbury Board of Education as of April 2002.

## City Employee Bargaining Organizations

<u>Employees</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<b><i>General Government</i></b>			
Inspectors, Secretaries, Clerks .....	City of Waterbury Employee Association	617	6/30/05
Public Works, School Maintenance ...	AFSCME, AFL-CIO Local 353	436 <sup>1</sup>	6/30/05
Police .....	Waterbury Police Union Local 1237	324	6/30/00 <sup>2</sup>
Fire .....	Waterbury Fire Fighters Local 1339	294	6/30/05
Nurses .....	CT Health Care Association	39	6/30/05
Management .....	Waterbury Municipal Administrators Association	42	6/30/05
Office of Community Development ..	AFSCME, AFL-CIO, Local 1303-128	11	6/30/06
<b><i>Board of Education</i></b>			
Teachers .....	Waterbury Teachers Assoc.	1,345	6/30/04
School Administrators .....	School Admin. of Waterbury	65	6/30/06 <sup>3</sup>
Cafeteria Aides, Library Pages, Office Aides .....	Cafeteria Union, CSEA, Inc./ SEIU, AFL-CIO, Local 760	141	6/30/01 <sup>3</sup>
School Crossing Guards .....	SEIU AFL-CIO	45	6/30/02 <sup>4</sup>
Employees of Federal Grant Programs (2 units) .....	Local 531 Service Employee International Union/AFL-CIO	72	6/30/05

<sup>1</sup> Includes all school custodians.

<sup>2</sup> The City and the Police Union are currently involved in compliance proceedings at the State Board of Labor Relations with respect to the alleged 2000-05 agreement. (See discussion below.)

<sup>3</sup> Agreement has reopener concerning wages for the 2004-05 and 2005-06 contract years.

<sup>4</sup> In negotiation.

The City and the police union were parties to a collective bargaining agreement covering the period from July 1, 1995 through June 30, 2000. On April 3, 2000, the City and the union commenced negotiations for a successor agreement. The parties reached a tentative agreement and entered into a letter of understanding with respect to the parties' conditional tentative agreement. On September 21, 2000, the City's Board of Finance reviewed and discussed the tentative agreement, and on September 25, 2000, the Board of Aldermen voted in favor of the tentative agreement. On October 4, 2000, however, the Mayor vetoed the tentative agreement out of concern for the City's tenuous financial position and City's Pension Fund. The Board of Aldermen refused to override the Mayor's veto of the tentative agreement.

The union filed a complaint with the Connecticut Labor Relations Board (the "Labor Board") alleging that the City failed to recognize or implement the tentative agreement. The Labor Board issued a decision in favor of the union on January 24, 2001, finding that the tentative agreement was valid and binding. The City filed an administrative appeal of the Labor Board's decision on March 1, 2001 to the Superior Court, which subsequently dismissed the City's appeal. The City decided not to appeal the Superior Court decision.

Instead, the City requested that the Labor Board initiate compliance proceedings on the issue of the City's financial incapacity to implement the terms of the agreement, specifically with reference to the pension changes and retroactive wages. The pension changes could result in an increase of approximately \$8.5 million in the City's unfunded pension liability (see "Pension Programs" herein). The impact of retroactive wages could also be significant. The Labor Board has permitted the Assistance Board to intervene as a party respondent in this matter. The Assistance Board plans to argue that it is impossible or impracticable to implement certain provisions of the agreement, including, but not limited to, pension plan changes; wage increases; health insurance benefits without premium cost share, financial controls, or managed prescription drug benefits; and

other financial provisions to be presented to the Labor Board. The Labor Board has concluded hearings on this matter. Parties will submit briefs in April 2003.

Connecticut General Statutes Sections 7-473c and 10-153f provide procedures for mandatory binding arbitration whenever collective bargaining negotiations between municipalities and representatives of the employees have reached an impasse. After the parties have submitted evidence, last best offers on all issues in dispute, and briefs, the arbitration panel must accept the last best offer of either party on each disputed issue. In reaching its determination, the arbitration panel must give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. In the light of the employer's financial capability, the panel shall consider prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits. The legislative body of an affected municipality may reject the arbitration panel's decision within thirty days of its issuance by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection within ten days thereof. The State will then appoint a review panel of either one or three arbitrators to review the decisions on each of the rejected issues. Within twenty-five days of the appointment of the review panel, the review panel shall review the record and render a final and binding award on the disputed issues. The review panel is limited to accepting the last best offer of either of the parties on each disputed issue taking into consideration the factors mentioned above.

Notwithstanding the foregoing, Special Act 01-1 provides that the Assistance Board may approve or reject all collective bargaining agreements for a new term and other modifications, amendments or reopeners to an agreement, to be entered into by the City or any of its agencies or administrative units, including the Board of Education; and with respect to labor contracts in or subject to binding arbitration, serve as the binding arbitration panel. The Assistance Board is not limited to considering only those issues raised by the parties in arbitration. Also, the Assistance Board is not limited to accepting either of the parties' last best offers when making a determination on disputed issues in a binding interest arbitration case.

### **Summary of Municipal Services**

#### **Enterprise Funds**

The following City services are funded from the City's Enterprise Funds and are fully self-supporting.

**Water.** Waterbury has the largest city-owned water system in the State. It encompasses 7,000 acres of City-owned watershed and has sufficient capacity to service 200,000 people. The system consists of two inactive and five active reservoirs with a total capacity of 7.54 billion gallons of water. The water treatment plant was completed in 1987 at a cost of approximately \$35.0 million. Average consumption for fiscal year 2002 was 15.1 million gallons per day; total capacity of the system is 38.0 million gallons per day. The system serves customers located in Waterbury and neighboring communities and is a self-supporting enterprise fund of the City.

**Water Pollution Control.** The City has approximately 300 miles of sanitary sewers. The City's newly upgraded 27.05 MGD advanced Sewage Treatment Facility was put into operation in April of 2000 in accordance with a Consent Order between the City and State of Connecticut Department of Environmental Protection. The planning, design and construction phases of this upgrade were funded through the State of Connecticut Clean Water Fund program. Though the City is ultimately responsible to the State for repayment of the total cost of each phase of the upgrade, the City recently entered into agreements with the municipal users of the Sewage Treatment Facility (Watertown, Wolcott, Cheshire and Prospect), whereby the municipal users are obligated to pay their allocable share of the costs for each phase of the upgrade. In 2001, as part of an ongoing Federal investigation, the U.S. Department of Justice subpoenaed City documents and interviewed City employees about this reconstruction of the City's sewage treatment plant. (See "SECTION VI - LEGAL INFORMATION, Pending Federal Investigation" herein.)

Water Pollution Control Facility ("WPCF") Upgrade Project cost and funding information as of March 2003 follows:

	<u>Planning</u>	<u>Design</u>	<u>Construction</u>
<b>Total Cost</b> .....	<b>\$4,007,585</b>	<b>\$8,411,392</b>	<b>\$109,735,692</b>
City Share .....	\$ -	\$ 458,519	\$ 460,349
CWF Grant .....	\$ -	\$1,505,257	\$ 28,712,061
CWF Loan .....	\$4,007,585	\$6,447,616	\$ 80,563,282
 <b>Percent Liability</b>			
Waterbury .....	88.93% <sup>1</sup>	87.09% <sup>1</sup>	86.45% <sup>1</sup>
Watertown .....	8.11%	9.56%	10.04%
Wolcott .....	2.89%	3.27%	3.43%
Cheshire.....	0.07%	0.08%	0.08%

<sup>1</sup> In July of 2002, the City and the Town of Prospect entered into an Intermunicipal Sewer Agreement, whereby Prospect paid to the City its share of the planning, design and construction of the WPCF upgrade project, in the following amounts:

Planning .....	\$ 764
Design .....	1,475
Construction .....	<u>19,604</u>
Total .....	\$21,843

The balance of the WPCF upgrade project consists of WPCF enhancements, the relocation of the City's Central Vehicle Maintenance and Refuse Facilities, and mitigation, including plantings and dam removal. The estimated \$6,322,202 cost of this project is being funded through the State of Connecticut Clean Water Fund Program via a combination of a 2 percent loan totaling an estimated \$4,120,091 and a grant totaling \$2,202,111.

In December of 2001, the City's Main Carrier Relief Sewer ("MCRS") project was completed. It included the construction of a 54-inch main carrier relief sewer as well as new sanitary and storm sewers in the general vicinity of the main carrier relief sewer. The project eliminated ten combined sewer overflows from entering the Naugatuck and Mad Rivers by means of the relief sewer, which conveys these flows to the City's sewage treatment facility for treatment.

This MCRS Project was funded through the State of Connecticut Clean Water Fund Program. The original budget for this was \$22,922,994 (a \$12,366,829 loan at a 2% interest rate and a \$10,556,165 grant). The actual costs for this MCRS Project were \$21,268,904 (an \$11,547,353 loan and a \$9,721,551 grant), for a savings of \$1,654,090.

The City is preparing to commence certain Phase III collection system work, consisting of the Harper's Ferry Pump Station relocation, the Sewer System Rehabilitation Cured-in-Place Pipe Lining contract, the Inflow Reduction Program, and the procurement of certain collection system equipment. The estimated \$16,550,000 cost of Phase III is expected to be funded through (1) the State of Connecticut Clean Water Fund Program via a combination of a 2 percent loan estimated at \$6,457,578 and a \$1,343,070 grant, and (2) a \$8,749,352 grant from the State of Connecticut Department of Transportation.

Any portion of the projects remaining unfunded may be funded through the City's Bureau of Waste Disposal or through the issuance of general obligation bonds.

Pursuant to the State Clean Water Fund Program, the City has adopted a sewer user charge to pay the costs of operating its collection and treatment system, including operation, capital improvements, and debt service on outstanding sewer bonds.

## General Fund

The following City services are funded from the City's General Fund.

**Fire.** The Waterbury Fire Department is a professional fire department providing a wide range of emergency services including fire suppression, hazardous materials mitigation, technical rescue and emergency medical dispatch. The Department also provides non-emergency services including public fire education, Connecticut Fire Code and Licensing building inspections and plan review. The Department consists of 300 sworn members and six civilian members. Emergency services are provided by ten engine companies (with one also functioning as a rescue/hazmat company), three truck companies, and three chief officers operating from ten fire stations.

**Police.** The Waterbury Police Department is a professional department which operates with a complement of 324 sworn officers and 50 civilian employees. Located at 255 East Main Street, Police Headquarters is a 34,200-square-foot facility housing administrative, uniformed and investigative services. Specialized units include K-9, Emergency Response Team, Bicycle Patrol, Polygraph Services, Traffic Engineering, Victim Services, and a full-service Forensic Laboratory capable of ballistics analysis/comparison and DNA analysis. The department utilizes a fleet of approximately 100 vehicles, 50 of which are marked police cruisers. Off-site facilities include Animal Control, Traffic Division, Parking Division and three neighborhood precinct offices.

**Health.** Waterbury's full-time health department has 115 employees and oversees school health, food service establishments, housing code enforcement, communicable disease control and public health nursing. In addition to multiple community programs (WIC, AIDS Program, Seatbelt Safety, Childhood Immunizations, Childhood Lead Poisoning Prevention, Health Education, Substance Abuse Prevention for Women), it also responds to hazardous materials incidents with the Fire Department.

**Solid Waste.** The City closed its landfill in September 1999 pursuant to a closure order negotiated with the State of Connecticut Department of Environmental Protection. In 1993, the City signed a contract (the "Service Contract") with the Connecticut Resources Recovery Authority ("CRRA") to provide solid waste disposal services to the City at the CRRA's Mid Connecticut Plant (the "System"). The contract is a 20-year "put-or-pay" contract, with a minimum commitment of 24,000 tons per year, including a per-ton tipping fee of \$51 for the current fiscal year.

All municipalities, including the City, pledge their full faith and credit for the payment of all Service Payments and any delayed-payment charges and costs and expenses of CRRA and its representatives in collecting overdue Service Payments. Each municipality agrees that its obligation to make any such Service Payments and other such payments, in the amounts and at the times specified in the Service Contract, whether to CRRA or the trustee, shall be absolute and unconditional and shall not be subject to any setoff, counterclaim, recoupment, defense (other than payment itself) or other right which the municipality may have against CRRA, the trustee or any other person for any reason whatsoever, shall not be affected by any defect in the title, compliance with the plans and specifications, condition, design, fitness for use of, or damage to or loss or destruction of, the System or any part thereof and, so long as CRRA shall accept solid waste delivered by the municipality pursuant to the Service Contract, shall not be affected by an interruption or cessation on the possession, use or operation of the System or any part thereof by CRRA or the operator of the System for any reason whatsoever.

To the extent that a municipality does not make provisions or appropriations to provide for and authorize the payment by such municipality to CRRA of the payments required to be made by it under the Service Contract, the remaining municipalities including the City must levy and collect such general or special taxes or cost-sharing or other assessments as may be necessary to make such payments in full when due thereunder.

Enron Power Marketing, Inc. ("Enron") is the entity which is obligated to pay CRRA a monthly "capacity charge" for the purchase of steam and an additional charge for electrical output from the facility, both of which charges support the Mid-Connecticut System. The capacity charge is significantly above market prices. Enron filed for bankruptcy in 2001 and has not made capacity payments to CRRA since December 3, 2001. It is unlikely that Enron will make any further required payments to CRRA. Additionally, Covanta MidConn, Inc.,

operator of the steam and electricity components of the Mid-Connecticut facility, filed for bankruptcy in April 2002. Thus far the bankruptcy has not affected Covanta's operation of the facility. CRRA voted to raise tipping fees to \$57.00 per ton for fiscal year 2003 and to \$63.75 per ton for fiscal year 2004.

**Sewage Sludge.** The City has entered into an agreement (the "Agreement") with NETCO-Waterbury Limited Partnership ("NETCO"), a Delaware Limited Partnership, for the disposal of the City's sewage sludge. The Agreement provides for NETCO to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 50-dry-ton-per-day capacity, as well as related facilities (the "Project"). The Project was operational in January 1997. Under the Agreement, NETCO, is required to process sewage sludge for the City and in return is guaranteed to receive not less than \$1.6 million per year from the City as payment of a fixed disposal fee for the successful processing of the sludge (the "Minimum Fee"). However, the City must obtain annual appropriation in order to make any payments required in the Operating Agreement. The obligation of the City to make payments under the Operating Agreement is subject solely to NETCO's performance of its obligations under the Operating Agreement. Connecticut General Statutes generally authorize municipalities to pledge their full faith and credit to payments such as those required under the Operating Agreement. Payment of the Minimum Fee by the City is not secured by the full faith and credit pledge of the City. The City must appropriate in each fiscal year sufficient funds to make the payments required by the Operating Agreement. Such annual appropriation is subject to the approval of the City pursuant to its Charter, including legislative approval by the Board of Aldermen. Failure of the City to appropriate the Disposal Fee does not release it from contractual liability to NETCO for failure to make payments required under the Operating Agreement. The liability of the City to NETCO in the event it fails to make required payments would be determined by a court of law. This fee is based upon the disposal of 5,720 dry tons per year, or approximately 15 dry tons per day. The Facility has been operational 353 days per year.

For each dry ton processed by NETCO in excess of 25 dry tons per day on average, NETCO pays the City an \$80-per-dry-ton royalty from the estimated \$249-per-dry-ton fee charged to process outside sludge. The Facility is fully operational and has been processing approximately 50 dry tons of outside sludge in excess of NETCO's obligations to the City, resulting in \$50,000 to \$80,000 per month in additional royalties. The incinerator manufacturer's performance guarantee is for the incinerator to process up to 50 dry tons per day of municipal sewage sludge. The City must dispose of the ash and dried end-product generated by the Facility in the City's South End Disposal Area for the life of the Operating Agreement without charge.

**Recreation.** The City has over 1,000 acres dedicated to recreation including 22 parks and 15 parklets. There are six recreation centers, two municipal-owned 18-hole golf courses, 24 playgrounds, three outdoor swimming pools, one lake facility, 16 spray pools, a municipal stadium, 42 tennis courts, and 27 softball fields that are at the disposal of the public. Over the past nine years, the City received State grants totaling more than \$5.5 million for park improvements.

**Educational System.** The City's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. Waterbury has a 10-member Board of Education elected to four-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the City are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The City has 19 elementary schools, including two magnet schools, seven middle schools, and four high schools. Maloney Magnet School was completed in 1996, and Rotella Magnet School opened in October 2000. A third magnet school is slated to open for grades 6-8 beginning September 2004. The magnet schools address a statewide mandate for greater social and ethnic diversity. Non-public schools include eleven elementary schools, four high schools and a vocational-technical high school.

The Waterbury Board of Education requires "School Performance Reports" from all principals to promote accountability for school performance, particularly related to tested student achievement. Waterbury's Assistant Superintendent for Instruction has developed plans aimed at improving the curriculum, improving staff training and teaching practices, developing a system of academic accountability, and reconsidering the traditional school calendar. Waterbury has also signed a contract with the Connecticut Academy of Math and



Science ("CAMS"), a non-profit corporation based in New Britain, Connecticut, to help improve student performance in these areas. CAMS is federally funded and provides similar services for a number of Connecticut municipalities. In the new third generation CMT administered in 2000, the City has either sustained or increased its scores. School officials attribute such gains to the school system's increased focus on areas determined to need improvement, revised curriculum, the Connecticut Mastery Test preparatory Saturday school for third-graders, a remedial summer school and after-school programs that were implemented in 2000.

The CMT is also given in grade eight. Despite interventions, the eighth-graders do not show an increase in the same way as other grades. Additional professional development, new text purchases and curriculum realignment have been implemented with the goal of improving the Connecticut Mastery Test scores over time.

The District also provided additional support and training to Special Education and Bilingual teachers in preparation for the State-required assessment of those students.

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### SECTION III - DEMOGRAPHIC AND ECONOMIC DATA SECTION

#### Population and Density

<u>Year</u>	<u>City of Waterbury</u>			<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Population</u>	<u>% Change</u>	<u>Density<sup>1</sup></u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2000 .....	107,271	(1.6)	3,803.9	824,008	2.5	3,405,565	3.6
1990 .....	108,961	5.5	3,863.9	804,219	5.6	3,287,116	5.8
1980 .....	103,266	(4.4)	3,661.9	761,337	2.2	3,107,576	2.5
1970 .....	108,033	0.8	3,831.0	744,948	12.8	3,032,217	19.6
1960 .....	107,130	2.5	3,798.9	660,315	21.0	2,535,235	26.3
1950 .....	104,477	-	3,704.9	545,784	-	2,007,280	-

<sup>1</sup> Density based on 28.2 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1950–2000.

#### Age Distribution of the Population

<u>Age<sup>1</sup></u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years .....	8,176	7.6	223,344	6.5
5 to 9 years .....	8,415	7.8	244,144	7.2
10 to 14 years .....	7,681	7.2	241,587	7.1
15 to 19 years .....	6,829	6.4	216,627	6.4
20 to 24 years .....	6,919	6.5	187,571	5.5
25 to 34 years .....	15,844	14.8	451,640	13.2
35 to 44 years .....	16,183	15.1	581,049	17.1
45 to 54 years .....	12,592	11.7	480,807	14.1
55 to 59 years .....	4,747	4.4	176,961	5.2
60 to 64 years .....	3,840	3.6	131,652	3.9
65 to 74 years .....	7,223	6.7	231,565	6.8
75 to 84 years .....	6,408	6.0	174,345	5.1
85 years and over .....	<u>2,414</u>	<u>2.2</u>	<u>64,273</u>	<u>1.9</u>
Total .....	107,271	100.0	3,405,565	100.0
2000 median age (years) <sup>1</sup> .....	34.9	-	37.4	-
1990 median age (years) <sup>2</sup> .....	33.1	-	34.4	-

Source: <sup>1</sup>U.S. Department of Commerce, Bureau of Census, 2000 Census.

<sup>2</sup>U.S. Department of Commerce, Bureau of Census, 1990 Census.

### Income Distribution

	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999 .....	2,160	8.0	33,423	3.8
10,000 – 14,999 .....	1,528	5.7	23,593	2.7
15,000 – 24,999 .....	3,876	14.3	63,262	7.1
25,000 – 34,999 .....	3,455	12.8	75,413	8.5
35,000 – 49,999 .....	4,645	17.2	120,134	13.6
50,000 – 74,999 .....	5,853	21.7	198,924	22.5
75,000 – 99,999 .....	2,951	10.9	141,981	16.0
100,000 – 149,999 .....	1,969	7.3	132,177	14.9
150,000 – 199,999 .....	349	1.3	42,472	4.8
200,000 and over .....	219	0.8	54,368	6.1
Total .....	27,005	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Comparative Income Measures

	<u>City of Waterbury</u>	<u>State of Connecticut</u>
Per capita income, 1999 .....	\$17,701	\$28,766
Median family income, 1999.....	\$42,300	\$65,521
Median household income, 1999 ...	\$34,285	\$53,935

Source: U.S. Department of Commerce, Bureau of Census.

### Educational Attainment

Years of School Completed – Age 25 and Over

	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade .....	8,205	11.8	132,917	5.8
9th to 12th grade, no diploma .....	11,536	16.5	234,739	10.2
High school graduate .....	23,961	34.3	653,300	28.5
Some college, no degree .....	11,821	16.9	402,741	17.5
Associate's degree .....	4,590	6.6	150,926	6.6
Bachelor's degree .....	6,042	8.7	416,751	18.2
Graduate or professional degree .....	3,636	5.2	304,243	13.2
Total .....	69,791	100.0	2,295,617	100.0
Total high school graduate or higher .....	-	93.8	-	84.0
Total bachelor's degree or higher .....	-	59.5	-	31.4

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Industry Classification

<u>Sector</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining.....	114	0.3	7,445	0.4
Construction .....	2,512	5.5	99,913	6.0
Manufacturing .....	9,563	21.0	246,607	14.8
Wholesale trade .....	1,558	3.4	53,231	3.2
Retail trade .....	5,481	12.0	185,633	11.2
Transportation, warehousing and utilities ....	1,681	3.7	64,662	3.9
Information .....	1,072	2.4	55,202	3.3
Finance, insurance, real estate and leasing ....	2,775	6.1	163,568	9.8
Professional, scientific, management, administrative and waste management ....	2,772	6.1	168,334	10.1
Educational, health and social services .....	10,444	23.0	366,568	22.0
Arts, entertainment, recreation, accommodation and food services .....	3,030	6.7	111,424	6.7
Other services .....	2,198	4.8	74,499	4.5
Public administration .....	<u>2,284</u>	<u>5.0</u>	<u>67,354</u>	<u>4.1</u>
Total .....	45,484	100.0	1,664,440	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Employment Data

	<u>Percent Unemployed</u>				
	<u>City of Waterbury</u>		<u>City of Waterbury</u>	<u>Waterbury Labor Market Area</u>	<u>State of Connecticut</u>
	<u>Employed</u>	<u>Unemployed</u>			
February 2003 .....	48,186	4,738	9.0	7.5	5.5
Annual average 2002 .....	48,917	4,076	7.7	6.0	4.3
Annual average 2001 .....	48,303	3,095	6.0	4.6	3.3
Annual average 2000 .....	50,159	1,908	3.7	2.8	2.3
Annual average 1999 .....	49,553	2,507	4.8	3.8	3.2
Annual average 1999 .....	49,553	2,507	4.8	3.8	3.2
Annual average 1998 .....	50,550	2,724	5.1	4.0	3.4
Annual average 1997 .....	50,756	3,885	7.1	5.8	5.1
Annual average 1996 .....	48,619	4,374	8.3	6.5	5.7
Annual average 1995 .....	48,282	3,996	7.6	6.3	5.5
Annual average 1994 .....	48,216	4,286	8.2	6.8	5.6
Annual average 1993 .....	51,013	4,785	8.6	7.5	6.2
Annual average 1992 .....	51,106	6,419	11.2	9.5	7.5

Source: State of Connecticut, Labor Department, Office of Research.

**Major Employers**  
As of March 2003

<u>Employer</u>	<u>Nature of Business</u>	<u>Full-Time Equivalent Employees</u>
City of Waterbury .....	Government	3,800
State of Connecticut .....	Government	1,225
Waterbury Hospital .....	Medical facilities & research	1,541
St. Mary's Hospital .....	Medical facilities	1,279
Southern New England Telephone .....	Communications	400
Naugatuck Valley Community-Technical College ...	Technical education	384
United States Postal Service .....	Federal government	270
MacDermid, Inc. ....	Specialty chemicals	217
Webster Bank .....	Financial institution	256
Waterbury Republican American .....	Newspaper publishers	252
VNA Health Care, Inc. ....	Health care	199

Source: Survey by Webster Bank.

**Commute to Work**  
16 years of age and over

	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone .....	34,286	77.5	1,312,700	80.0
Car pools .....	6,132	13.8	154,400	9.4
Using public transportation .....	1,609	3.6	65,827	4.0
Walked .....	1,196	2.7	44,348	2.7
Using other means .....	431	1.0	12,130	0.8
Worked at home .....	<u>602</u>	<u>1.4</u>	<u>51,418</u>	<u>3.1</u>
Total .....	44,256	100.0	1,640,823	100.0
Mean travel to work (minutes) .....	21.8	-	24.4	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

**Age Distribution of Housing**

<u>Year Structure Built</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier .....	13,952	29.8	308,896	22.3
Built in 1940-1969 .....	16,754	35.8	571,218	41.2
Built in 1970-1979 .....	6,573	14.0	203,377	14.7
Built in 1980-1989 .....	6,643	14.2	183,405	13.2
Built in 1990-1994 .....	1,913	4.1	56,058	4.0
Built in 1995-March 2000 .....	<u>992</u>	<u>2.1</u>	<u>63,021</u>	<u>4.6</u>
Total .....	46,827	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Housing Units by Type of Structure

<u>Household Characteristics</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached .....	16,920	36.1	816,706	58.9
Single-family attached .....	1,986	4.3	71,185	5.1
Multifamily .....	27,862	59.5	485,890	35.1
Mobile home, trailer, or other .....	59	0.1	12,194	0.9
Total .....	46,827	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Housing Unit Vacancy Rates

<u>Housing Units</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units .....	42,622	91.0	1,301,670	93.9
Vacant housing units .....	4,205	9.0	84,305	6.1
Total units .....	46,827	100.0	1,385,975	100.0
Homeowner vacancy rate .....	-	2.2	-	1.1
Rental vacancy rate .....	-	7.6	-	5.6

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Owner-occupied Housing Units

	<u>City of Waterbury</u>	<u>State of Connecticut</u>
Total owner-occupied units .....	20,291	869,729
Persons per unit .....	2.58	2.67
Median value .....	\$101,300	\$166,900

<u>Specified Owner-occupied Units</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000 .....	501	3.3	5,996	0.8
\$ 50,000 to \$ 99,999 .....	7,000	45.4	85,221	11.7
\$100,000 to \$149,999 .....	6,492	42.1	212,010	29.1
\$150,000 to \$199,999 .....	1,142	7.4	156,397	21.5
\$200,000 to \$299,999 .....	230	1.5	137,499	18.9
\$300,000 to \$499,999 .....	31	0.2	79,047	10.9
\$500,000 or more .....	16	0.1	52,074	7.1
Total .....	15,412	100.0	728,244	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Number and Size of Households

<u>Household Characteristics</u>	<u>City of Waterbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households .....	105,057	-	3,297,626	-
Persons per household (average) .....	2.46	-	2.53	-
Persons per family (average) .....	3.11	-	3.08	-
Family households .....	26,911	63.1	881,170	67.7
Non-family households .....	<u>15,711</u>	<u>36.9</u>	<u>420,500</u>	<u>32.3</u>
All households .....	42,622	100.0	1,301,670	100.0
Family households by type				
Married couple .....	16,534	61.5	676,467	76.8
Female householders, no spouse .....	8,137	30.2	157,411	17.8
Other .....	<u>2,240</u>	<u>8.3</u>	<u>47,292</u>	<u>5.4</u>
Total family households .....	26,911	100.0	881,170	100.0
Non-family households by type				
Householders living alone .....	13,398	85.3	344,224	81.9
Other .....	<u>2,313</u>	<u>14.7</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households .....	15,711	100.0	420,500	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

### Breakdown of Land Use

<u>Land Use Category</u>	<u>Total Area</u>	
	<u>Acres</u>	<u>Percent</u>
Residential .....	7,580	40.9
Commercial/Industrial .....	2,775	14.9
Farm .....	43	0.2
Other (Open space & recreational community facilities, undeveloped, resource extraction, water) .....	<u>8,155</u>	<u>44.0</u>
Total .....	18,553	100.0

Source: Council of Governments, Central Naugatuck Valley Planning Region, 1990 Land Use Survey.

### Plan of Development

The first phase in updating City's Plan of Development (the "Plan"), a draft community assessment report compiled by a private firm, became available to the public in December 1999 for review and comment. The community assessment gives a profile of existing conditions in the City and provides data for decisions on land use, land-use policy, economic development and preservation. Waterbury Partnership 2000, Inc., a public/private partnership responsible for economic development planning and programs in Waterbury, completed the master chapter on Economic Development in 2001 for the Plan of Development update. The City is working with State resources to arrange funding to complete the update of the Plan of Development that will commence this year. The Plan was last updated in 1971 when the City was an industrial-based community. The City is collaborating with the Chamber of Commerce and Waterbury Partnership 2000 to increase efforts to promote growth in the City's tax base.

## Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Residential</u>		<u>Industrial/ Commercial</u>		<u>Other</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2002-03 <sup>1</sup> .....	414	\$ 4,655,121	71	\$ 7,577,245	88	\$ 2,436,756	573	\$14,669,122
2001-02 .....	838	14,791,268	162	68,967,089	153	8,818,799	1,153	92,577,156
2000-01 .....	486	7,815,960	154	25,617,000	74	2,316,550	714	35,749,510
1999-00 .....	752	8,954,361	164	23,932,074	110	394,050	1,026	33,280,485
1998-99 .....	704	8,816,883	203	25,331,472	2,281	19,655,964	3,188	53,804,319
1997-98 .....	649	6,261,253	328	23,714,070	2,930	77,326,619	3,907	107,301,942
1996-97 .....	618	8,733,867	181	48,725,747	2,141	33,457,364	2,940	90,916,978
1995-96 .....	782	10,100,274	331	9,501,860	2,100	13,674,114	3,213	33,276,248
1994-95 .....	892	11,380,959	386	26,615,494	2,379	13,324,456	3,657	51,120,909
1993-94 .....	851	10,540,902	360	10,151,942	2,380	19,011,375	3,591	39,704,219

<sup>1</sup> Through January 2003.

Source: City of Waterbury Building Inspector's Office.

## Retail Sales, by Type of Business, and All Other Outlets

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Retail stores:					
Hardware .....	\$26,972,620	\$17,410,253	\$16,460,634	\$15,515,406	\$13,509,761
General merchandise .....	8,490,529	7,185,307	6,824,635	6,823,295	7,952,276
Food products .....	170,192,505	119,404,626	122,910,533	97,361,413	86,279,685
Automotive products .....	175,253,817	161,915,750	163,392,895	155,620,402	166,923,477
Apparel & accessories .....	40,976,125	43,511,217	41,074,637	37,358,034	39,349,449
Home furnishings & appliances .....	9,913,407	26,669,317	29,727,815	26,895,037	28,309,554
Eating & drinking places ...	105,548,373	100,521,188	100,024,084	97,709,742	91,257,672
Miscellaneous shopping goods .....	<u>312,249,026</u>	<u>401,192,385</u>	<u>408,663,114</u>	<u>383,434,096</u>	<u>390,948,713</u>
Subtotal .....	849,596,402	877,810,043	889,078,347	820,717,425	824,530,587
All other outlets .....	<u>564,269,569</u>	<u>528,593,451</u>	<u>495,392,962</u>	<u>498,153,580</u>	<u>539,407,047</u>
Total all outlets .....	\$1,413,865,971	\$1,406,403,494	\$1,384,471,309	\$1,318,871,005	\$1,363,937,634
Percent change over					
Prior year .....	0.5%	1.6%	5.0%	(3.3)%	1.7%

Source: State of Connecticut, Department of Revenue Services.

## Economic Development

Waterbury continues a transition from dependence on the cyclical manufacturing business to more diverse endeavors. Manufacturing remains an important economic activity, with one in seven City residents making their living in some form of industrial activity. However, the City is now a regional hub for various retail businesses and has a growing healthcare component. With two major hospitals, the City has become a regional health care center with numerous facilities offering various outpatient services. Several major initiatives described more fully below will serve to broaden that diversification and continue the process of revitalization.

The Waterbury Economic Resource Center ("WERC"), a private-public partnership, was created in 2002. Its goal is the consolidated origination point for economic development, marketing, and business retention efforts of the City of Waterbury and the Waterbury Partnership for Growth, Inc. As part of a comprehensive effort to expand the grand list of Waterbury, WERC had been charged with the task of developing a multi-dimensional technical service program and marketing campaign in order to attract investment from across the state, region



and beyond. WERC also serves as an informational clearinghouse regarding local, state and federal business service and economic assistance programs.

The Economic Development Director of the Resource Center also serves as liaison and ombudsman for the Mayor of Waterbury in all matters related to economic development. In this capacity, the Director endeavors to ensure coordination and communication between and among the City departments that are involved in the business development process. It is the responsibility of the Economic Development Director to advise, assist and support the Mayor by providing information to the Mayor's office regarding economic development activities occurring in the City and region. As part of a comprehensive business retention program, the Director regularly visits and meets with members of the commercial and industrial business community to assure that their needs are being met.

The successful completion of the Brass Mill Center has provided momentum for a myriad of other projects being managed by the Naugatuck Valley Development Corporation ("NVDC"). The NVDC is a 501c-4 non-profit corporation with which the City subcontracts certain economic development projects.

The 1997 opening of the Brass Mill Center Mall and Commons, a 1,300,000-square-foot shopping center and plaza with over 130 stores built on a nearly 90-acre site on the east side of the Central Business District ("CBD") by GGP/Brass Center, Inc., a subsidiary of General Growth Properties, Inc., has provided the City with over 2,000 additional full-time jobs. It is estimated that the mall has over 22,000 visitors per day. The mall's three anchor tenants are Sears, J.C. Penney, and Filene's.

In 1998 the City unveiled a comprehensive \$112 million Downtown Development Plan to revitalize the balance of the CBD and contiguous areas. The plan has evolved to an expanded budget of approximately \$190,000,000. The project calls for a combination of local, State, and private-sector funding. To date, the State has been awarded more than \$24,000,000 in funding for the plan. The first phase of the project, now under way, includes the establishment of a State-approved information technology zone ("ITZ") that is the first of its kind in Connecticut. The ITZ allows high-tech firms to access state-of-the-art fiber-optic wiring and provides special tax incentives to businesses to locate within its boundaries. Under the terms of the program, the State reimburses the City up to 50% of the tax abatements. Improvements to Bank Street and the Bank Street Garage are completed components of Phase I of the plan. Thus far, the City has successfully attracted 12 firms to the ITZ which currently employ 120 individuals, and provide the following types of services: web site development, software applications development, internet service provider platforms, internet billing systems for healthcare providers, and customer response management systems. Five year projections by those firms indicate that they will employ over 400 employees if they are successful.

Phase II of the revitalization is now under way. In October 1999, the State Bond Commission approved \$8.5 million as a grant-in-aid for costs associated with Phase II. The focus of this phase is the purchase and restoration of the Palace Theater as a multi-purpose entertainment and educational facility, including establishment of an 800-student magnet school emphasizing the performing and creative arts. The 3,419-seat Palace Theater is listed on the National Register of Historic Places and has been vacant for over 10 years. Restoration costs of approximately \$30 million are expected to come from an Urban Act grant, and the theater will open in the spring of 2004. The magnet school is estimated to cost \$57 million, and construction will be funded by the State. Private investment in the range of \$20 million is expected to offset the cost of refurbishing nearly 400,000 square feet of business space surrounding the theater and proposed school to accommodate stores, restaurants and apartments. Increased parking and improved pedestrian access will also be addressed during this phase.

Another phase of the Downtown Revitalization Project is the construction of a new campus for the University of Connecticut Waterbury Branch which is being relocated from its current site in the City's Overlook section. The State of Connecticut has committed to providing the NVDC with more than \$22 million for this project and construction is under way.

One spinoff of the Downtown Revitalization Project is the replacement for the present UCONN campus with a private religious boarding school. The school, known as the Talmudic School, has made a commitment to relocate from its current site in New York state. The School will add vibrancy to the campus and surrounding

Overlook and Hillside neighborhood communities. The group has entered into a contract that will require that they purchase approximately 100 homes in those neighborhoods. Further, the school will educate several hundred students from outside Waterbury who will board on the campus. In addition, City officials expect that the school's investors will be looking to make additional financial investments in other facets of the community.

Of great significance to the State's commitment to the CBD is the completion of the \$30 million Superior Courthouse on Grand Street and the construction of the \$12 million State of Connecticut office building on West Main Street in 2000. The office building represents approximately 100,000 square feet of Class A office space in the CBD. Four hundred State agency jobs have been relocated to the City, including the State Department of Motor Vehicles headquarters with approximately 150 employees. In 1997, the \$5 million State-funded renovation of the Waterbury Armory adjacent to City Hall was completed.

The City's two full-service hospitals, St. Mary's Hospital and Waterbury Hospital, have completed construction of the Harold J. Leever Cancer Center, which is a jointly-run regional center providing a full range of cancer treatment. An affiliation implemented in January 2000 between Waterbury Hospital and Connecticut Children's Medical Center makes doctors from the Children's Medical Center available in Waterbury on a regular basis to provide outpatient and elective care to children with special needs. Approximately ten to twenty percent of the 450 children seen by Waterbury Hospital each year have special needs.

The City is currently planning the development of an additional industrial park on a 165-acre tract of land located on the City's South End as a joint venture with the Borough of Naugatuck. The City received an initial planning grant of \$309,855, which was used to complete site analysis and a feasibility study. An Inter-Municipal Agreement with Naugatuck is being finalized, and plans are being made to apply for development funds.

The 120-acre Captain Neville Industrial Park houses the following tenants: Alfro Custom Mfg. Co., machinery; Anthem Electronics, electronic circuitry; Barlow Bros. Co., plumbing and heating; Carpin Mfg., Inc., caster manufacturer; Dossert Corporation, machinery; Graphic Learning & Design Co., children's publishing; Industrial Paper & Plastics Co. Inc., paper and plastics distributor; Irving Michaels Co., jeweler state headquarters; Production Fasteners, fasteners and caster manufacturer; Waterbury Swiss Automatics, screw machine; Waterbury Companies, Inc., machinery; Teleflex, automobile parts manufacturing; Abrams & Co. Publishing, Inc., general publishing; Nova-Wesco, metal stamping; New Dimensions in Education, children's publishing; Warehouse Store Fixture Company, wholesaler of restaurant fixtures and supplies; Jackson-Lea, manufacturer of metal finishing materials; Perkin-Elmer OptoElectronics, lighting equipment; Lyons Slitting; metal coil rolling/slitting; Eurotech Millwork, office furniture manufacturer; Fairbanks Mortgage/Colony Mortgage, financial services headquarters; M.J. Daly & Sons, Inc., fabrication of pipe products, sprinkler systems; J&L Manufacturing of Watertown, Inc., tool and die manufacturer; NEOPERL, Inc., manufacturer of metal products; Fluids, Inc., manufacturer; Temporale Climate Control, HVAC products; La-Touraine Coffee Company, Inc., wholesale food products; RUSH Warehousing, distribution; American Home Patient, service headquarters; S&S Dynamic Manufacturing, stamped metal products; 77 Mattatuck Heights LLC, high-quality custom architectural millwork products; Crown Battery, manufacturer, distributor of power packs; and Microwave Tower Services, telecommunications equipment.

The 119-acre Reidville Drive Industrial Park Interstate Lane is home to the following firms: Bruce E. Losty Office Systems Inc., office supplies; Electronic Film Capacitors, circuitry, electrical components; Interstate Refrigeration & Air Conditioning Service; Tri-City Electric Service Inc., electrical contractor; United Electrical Contractors Inc., electrical service contractor; Veeco Inc., electrical, heating and air conditioning contractor; Interstate Restaurant, wholesale restaurant supplies; Brown's Letters, Inc., general construction supplies and contractor publishing; Silikal, Inc., manufacturer of concrete surfacing products; Waterbury Headers, manufacturer machine tools; JOMA Inc., metal products manufacturers; Phone Labs Technology, assembly, repair of communications equipment; Echo Manufacturing, metal finishing; and Milite's Bakery, a producer of a specialty bread product.

The following development projects were completed during the last year:

**Bank Street Reconstruction.** In the spring of 2001, a ribbon-cutting ceremony was held on Bank Street to celebrate the improvements to one of downtown Waterbury's historically significant streets. This project was

initiated and supported to completion by the vision and interest of downtown business leaders and the Ad Hoc Committee. Improvements included: sidewalks, street pavement, lights, landscaping, underground fiber lines and other amenities. In addition, the amount of on-street parking was increased to serve businesses on Bank Street.

**Buckingham Garage Improvements.** The revitalization of the Buckingham Garage was a logical complement to the Bank Street improvements. Not only is it situated at a key location adjacent to Route 84 and Bank Street, but also it is the largest parking facility in downtown. By improving the parking experience through safety, lighting, signage and structural repairs, the garage is more inviting to the public. The size and location of the garage is vital to the long-term program of marketing downtown Waterbury. This type of infrastructure improvement supports the direct financial assistance available through the Information Technology Zone and Downtown Development Incentive Fund programs.

**Timexpo Museum.** In May 2001, the Grand Opening of the Timexpo Museum marked the completion of the Brass Mill Center and Commons site development. This innovative and unique museum is located in the remaining two renovated buildings of the historic Scovill Manufacturing Company. The total site development is a mix of modern retailing and an educational visitor attraction which cannot be found at any other location in Connecticut. Combining the vision of Timex Corporation and the history of its predecessors, such as the Waterbury Clock Company, the Timexpo project features a vast collection of timepieces and interactive displays covering both the history and the future of timekeeping. With support from General Growth Properties, the Connecticut Department of Economic and Community Development and the NVDC, the Timexpo Foundation, Inc. and the Timexpo Corporation have a wonderful home for their museum and the City of Waterbury has an important addition to its cultural resources.

The following projects are current and on-going:

**Downtown Development Project.** One of the key visions for Downtown Waterbury is a basic belief that education in all forms is the best way to meet the challenges of the 21<sup>st</sup> century and to be a connector among activities and people. The Downtown Development Plan identified an area of East Main Street between the Green and Elm Street as meeting the physical criteria for this place of connection. The Palace Theater, unused for almost 15 years, was the center of culture and entertainment in the City and sits in the middle of this area. The area also contained a number of vacant parcels, lots and underutilized buildings as a result in loss of retail activity that once flourished in the 1950s as the “big box” retailers of their day. To achieve the vision contained in the Downtown Development Plan, a program was approved to build a new Arts Magnet school for grades 6 through 12, build a new UCONN Waterbury campus, renovate the Historic Palace Theater and build two parking garages to support these endeavors as well as surrounding businesses.

**Information Technology Zone (“ITZ”).** As part of downtown revitalization efforts, a subcommittee of NVDC was established to provide oversight to the program implementation of an Information Technology Zone. A tax credit and incentive program for wiring buildings in the ITZ was approved by NVDC and the Board of Aldermen. A consulting firm was hired to review the ITZ infrastructure in the downtown as to capabilities and needs, analyze buildings for feasibility of ITZ users, perform a preliminary design of the ITZ system including a telecommunications ring and coordinate with service providers. To date, \$165,000 in grants has been approved by NVDC for building wiring and \$385,260 has been spent on infrastructure improvements on Bank Street. The Greater Waterbury Chamber of Commerce continues to market the ITZ.

**Downtown Development Incentive Fund.** In an effort to help businesses throughout the downtown, an incentive fund was established. This fund provides direct financial assistance to property owners and tenants for a variety of purposes including: property improvements; leasehold improvements; purchase of equipment and fixtures; working capital; architectural/design services; job training and other appropriate purposes. Funding provided by this program is tenant driven and is flexible to meet the particular needs of the property owner and tenant. To date, \$1,521,000 in grants and \$465,000 in loans have been approved by NVDC. The Greater Waterbury Chamber of Commerce continues to market this program.

**Regional Business Investment Fund (“RBIF”).** This fund was established in November of 1994 for the purpose of creating and retaining jobs in Waterbury and the Central Naugatuck Valley Region. NVDC

established a RBIF Loan Committee, consisting of volunteers in banking, finance and government. Over the past seven years, NVDC expended the full grant award. New loans continue to be provided through the repayments of previous loans. Currently, there are 13 loans with a total principal balance \$2,508,316, and \$691,797 is available for new loans. The loans were utilized to purchase real estate, machinery and equipment and to provide working capital. Approximately 500 jobs have been created and/or retained as a result of this program.

**East End Public Facility.** The City of Waterbury plans to build a public safety facility in the east end. The public facility would be located on an eight-acre parcel used by the former Mattatuck Manufacturing Company. The facility would combine the two East Main Street fire stations and include a police precinct, as well as a recreational facility. The current owner will be responsible for environmental remediation and demolition. Upon completion of those activities, NVDC will acquire the property. Currently, environmental remediation is substantially complete.

**Willow/West Main Street Corridor Improvements.** Neighborhood Housing Services commissioned a study of the Willow/West Main Street Corridor. The study, based upon a great deal of involvement from the community, businesses and government leaders identified a three-phase approach. NVDC has been funded to implement the first phase. The first phase includes traffic improvements to the intersections of Willow/West Main, Willow/Grove and Willow/Pine; aesthetic improvements to the intersections of Willow/West Main and Willow/Grove (i.e. new sidewalks, plantings and other amenities); an off-street public parking lot and a community/youth center. To date, a firm has been engaged to design the traffic improvements, aesthetic improvements and new parking lot.

The following are major initiatives and projects in planning currently being undertaken:

**Waterbury/Naugatuck Commerce Park.** In 1998, the City of Waterbury and the Borough of Naugatuck designated NVDC as their development agent to design a new high-tech commerce park on 160 acres adjacent to Route 8. The land is owned by the City, but is partially located in both Waterbury and Naugatuck. The State Department of Economic and Community Development and NVDC have prepared a plan for development and an Inter-municipal Agreement. A firm has been engaged to assist in preparing the plan for development.

**Freight Street and Former Roger Spoon Factory Projects.** NVDC received funds to prepare environmental review studies for two potential redevelopment areas adjacent to downtown Waterbury. The first is an approximately 15-acre parcel just east of the Brass Mill Center. NVDC entered into agreements with two reclamation corporations which will be responsible for executing the environmental review. NVDC continues to review these sites for their viability for a number of potential economic development projects.

**Jackson Street/Thomaston Avenue Connector Study and Transportation Study.** NVDC has engaged a team of consultants to prepare an initial assessment of the possible benefits to infrastructure improvements in the Freight Street area. Another firm specializing in transportation was hired to prepare a study on the benefits of Waterbury having a transportation hub. The study identified the area surrounding the current train station as the location of choice to combine existing rail access with bus and taxi services. Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

## SECTION IV - DEBT SECTION

As of May 14, 2003, the City has \$247,414,030 in long-term general obligation debt outstanding. All general obligation debt of the City is subject to the Tax Revenue Intercept except that the \$90,086,740 State of Connecticut Clean Water Fund loans, which are fully supported by user fees, are subject to the Tax Revenue Intercept only in the event of default.

### Annual Coverage History of Tax Revenue Intercept Bonds (000s)

<u>Fiscal Year</u>	<u>Intercept Debt Service</u>	<u>Actual Current Property Taxes Collected</u>	<u>Coverage Ratio of Intercept Debt Service</u>	<u>Date Annual Debt Service Requirement Satisfied</u>
1998 .....	\$ 6,496	\$110,783	17.05x	07/10/97
1999 .....	6,494	111,686	17.20x	07/10/98
2000 .....	7,901	114,401	14.48x	07/13/99
2001 .....	9,215	124,883 <sup>1</sup>	13.55x	07/19/00
2002 .....	13,126	152,670	11.63x	08/07/01 <sup>2</sup>

<sup>1</sup>Includes Special Tax levied January 2001.

<sup>2</sup>Budget was adopted June 29, 2001, which caused a delay in the generation of tax bills.

### Short-Term Debt As of May 14, 2003

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount of Notes Outstanding</u>	<u>Maturity Date</u>	<u>Legal Renewable Limit</u>
Wastewater treatment facility <sup>1</sup> .....	\$46,981,517	\$4,120,091	N/A	N/A
Collection system <sup>2</sup> .....	16,550,000	<u>6,457,578</u>	10/31/03	N/A
Total .....		\$10,577,669		

<sup>1</sup>The City has issued an Interim Funding Obligation to the State of Connecticut which is drawn down by the City as the project is constructed. The Interim Funding Obligation is expected to be replaced by permanent financing under the State of Connecticut Clean Water Fund ("CWF") Program at a 2% rate of interest. The authorized amount includes \$28,686,000 in CWF grants.

<sup>2</sup>The City has issued an Interim Funding Obligation to the State of Connecticut which is drawn down by the City as the project is constructed. The Interim Funding Obligation is expected to be replaced by permanent financing under the State of Connecticut CWF Program at a 2% rate of interest. The authorized amount includes \$1,343,070 in CWF grants. In addition, the City expects to receive some additional grant funding from the State of Connecticut Department of Transportation.

**Long-Term Debt<sup>1</sup>**  
**As of May 14, 2003**

	<b>Date of Issue</b>	<b>Interest Rate Percent</b>	<b>Original Principal Amount</b>	<b>Final Maturity</b>	<b>Outstanding Principal Amount as of 5/14/03</b>
<b><u>General Purpose</u></b>					
<i>Bureau of Water:</i>					
Water filtration plant .....	03/01/87	5.70%	\$18,000,000	03/01/05	\$ 2,000,000
<i>General Improvement Bonds:</i>					
Grandview Avenue Bridge .....	03/22/96	6.00	653,647	03/22/06	196,094
G.O. Tax Revenue Intercept bonds .....	02/15/97	4.375-5.50	26,305,000	08/15/06	12,140,000
Washington Street Bridge .....	07/01/98	6.00	462,392	04/01/08	231,196
Parks Department improvements .....	11/15/98	4.25-5.25	505,000	02/15/18	505,000
Brass Mill Infrastructure improvements .....	11/15/98	4.25-5.25	8,095,000	02/15/17	7,938,000
Telecom system .....	11/15/98	4.25-4.75	2,450,000	02/15/08	2,086,000
Public works infrastructure .....	11/15/98	4.25-5.25	3,665,000	02/15/17	3,506,000
Dump closure .....	11/15/98	4.25-5.25	1,518,000	02/15/18	1,446,000
Silas Bronson & Bunker Hill Library .....	11/15/98	4.25-4.75	199,000	02/15/09	199,000
Brass Trails project .....	11/15/98	4.25-5.25	257,000	02/15/16	257,000
Telecom system .....	02/01/00	6.00-6.50	2,500,000	02/01/10	2,055,000
Public works infrastructure .....	02/01/00	6.00-6.50	4,400,000	02/01/19	4,208,000
Silas Bronson & Bunker Hill Libraries .....	02/01/00	6.00-6.50	305,000	02/01/20	215,000
Special Capital Reserve Fund Bonds, Series A, tax-exempt .....	04/01/02	4.00-5.375	82,075,000	04/01/22	82,075,000
Special Capital Reserve Fund Bonds, Series B, taxable .....	04/01/02	5.43	15,390,000	04/01/09	15,390,000
This issue .....	05/01/03	-	8,401,899	02/01/08	8,401,899
Total general improvement bonds .....					<u>140,849,189</u>
Total general purpose bonds .....					142,849,189
<b><u>Urban Renewal</u></b>					
This issue .....	05/01/03	-	540,132	02/01/08	540,132
<b><u>School Bonds</u></b>					
Board of Ed. capital projects .....	11/15/98	4.25-5.25	3,795,000	02/15/18	3,360,000
Board of Ed. capital projects .....	02/01/00	6.00-6.50	3,795,000	02/15/18	3,795,000
This issue .....	05/01/03	-	3,949,412	02/01/08	<u>3,949,412</u>
Total school bonds .....					11,104,412
<b><u>Sewers</u></b>					
WWTP State loan .....	08/31/95	2.00	4,007,585	08/31/14	2,270,965
WWTP State loan .....	07/31/97	2.00	6,447,616	07/31/16	4,510,229
Platts Mill Pump Station .....	11/15/98	4.25-5.25	1,326,000	02/15/18	1,173,000
Platts Mill Pump Station .....	02/01/00	6.00-6.50	1,300,000	02/01/20	1,222,000
WWTP State loan .....	12/31/00	2.00	80,563,282	06/30/20	72,335,561
WWTP State loan .....	10/30/02	2.00	11,547,353	04/30/22	10,969,985
This issue .....	05/01/03	-	433,293	02/01/08	<u>438,557</u>
Total sewer bonds .....					92,920,297
Total long-term debt .....					\$247,414,030

<sup>1</sup> Excludes outstanding balance of August 12, 1993 bonds to be refunded by this issue.

**Annual Bonded Debt Maturity Schedule<sup>1</sup>**  
**As of May 14, 2003**

<b>Fiscal Year Ending</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>	<b>This Issue</b>	<b>Cumulative Principal Retired (%)</b>
2003 <sup>2</sup> .....	\$ 763,040	\$ 302,595	\$ 1,065,635	\$ -	0.31
2004 .....	15,076,380	9,070,536	24,146,916	2,100,000	7.25
2005 .....	15,372,315	8,428,359	23,800,674	2,630,000	14.53
2006 .....	14,674,883	7,818,566	22,493,449	2,735,000	21.56
2007 .....	14,913,753	7,221,430	22,135,183	2,860,000	28.75
2008 .....	11,819,688	6,703,048	18,522,736	3,005,000	34.74
2009 .....	11,936,118	6,262,131	18,198,249	-	39.56
2010 .....	12,110,557	5,806,782	17,917,339	-	44.46
2011 .....	12,296,801	5,347,935	17,644,736	-	49.43
2012 .....	12,494,888	4,871,824	17,366,712	-	54.48
2013 .....	12,694,852	4,419,584	17,114,436	-	59.61
2014 .....	12,901,734	3,917,447	16,819,181	-	64.82
2015 .....	12,953,589	3,409,811	16,363,400	-	70.06
2016 .....	13,151,024	2,891,803	16,042,827	-	75.38
2017 .....	13,025,461	2,374,876	15,400,337	-	80.64
2018 .....	13,230,258	1,856,472	15,086,730	-	85.99
2019 .....	11,509,275	1,344,563	12,853,838	-	90.64
2020 .....	11,670,293	921,104	12,591,397	-	95.36
2021 .....	5,795,663	537,211	6,332,874	-	97.70
2022 .....	<u>5,693,458</u>	<u>267,670</u>	<u>5,961,128</u>	-	100.00
Total .....	\$234,084,030	\$83,773,747	\$317,857,777	\$13,330,000	

<sup>1</sup> Excludes outstanding balance of August 12, 1993 bonds to be refunded by this issue.

<sup>2</sup> Excludes principal and interest payments made from July 1, 2002 through May 14, 2003.

**Overlapping/Underlying Debt**

The City of Waterbury does not have any overlapping or underlying debt.

**Five-Year Debt Statement Summary**  
(\$ in thousands)

	<b><u>2001-02</u></b>	<b><u>2000-01</u></b>	<b><u>1999-00</u></b>	<b><u>1998-99</u></b>	<b><u>1997-98</u></b>
Short-term debt .....	\$ 22,944	\$ 16,487	\$ 97,050 <sup>1</sup>	\$ 84,683 <sup>1</sup>	\$ 84,683 <sup>1</sup>
Long-term debt <sup>2</sup> .....	<u>247,441</u>	<u>161,108</u>	<u>98,793</u>	<u>96,731</u>	<u>71,077</u>
Total .....	\$270,385	\$177,595	\$195,843	\$181,414	\$155,760

<sup>1</sup> Includes wastewater treatment plant and main carrier construction phase Interim Funding Obligations.

<sup>2</sup> Does not include capital leases.

**Outstanding Bond Authorizations  
As of May 14, 2003**

<b><u>Project</u></b>	<b><u>Date Authorized</u></b>	<b><u>Amount Authorized</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Paydowns</u></b>	<b><u>BANs Outstanding</u></b>	<b><u>Authorized But Unissued</u></b>
Special Capital Reserve						
Fund bonds .....	04/25/01	\$100,000,000	\$97,465,000	\$ -	\$ -	\$ 2,535,000
Board of Education						
capital projects .....	07/21/98	22,090,836	7,590,000	-	-	14,500,836 <sup>1</sup>
Park Department .....	08/31/98	506,056	505,000	-	-	1,056
Brass Mill infrastructure						
improvements .....	07/21/98	8,096,892	8,095,000	-	-	1,892
Telecom system .....	07/21/98	4,961,561	4,950,000	-	-	11,561
Public Works						
infrastructure .....	08/31/98	8,104,938	8,065,000	-	-	39,938
Platts Mill Pump						
Station.....	08/31/98	2,857,805	2,626,000	-	-	231,805
Dump closure .....	07/21/98	1,518,167	1,518,000	-	-	167
Silas Bronson & Bunker						
Hill Libraries .....	08/31/98	506,056	504,000	-	-	2,056
Year 2000 upgrade .....	08/31/98	1,315,745	1,315,000	-	-	745
Brass Trails project .....	08/31/98	1,276,084	257,000	-	-	1,019,084
Road improvements ....	03/24/88	7,330,000	5,500,000	-	-	1,830,000
School purchase and						
improvements .....	10/24/88	4,300,000	4,000,000	-	-	300,000
Sanitary sewers .....	04/24/89	2,000,000	250,000	500,000	-	1,250,000
Bridge Program <sup>2</sup> .....	01/26/98	3,000,000	961,952	1,500,000	-	538,048
Various public						
improvements .....	04/10/89	6,441,000	5,465,000	975,000	-	1,000
Public Works .....	03/05/90	6,800,000	3,000,000	1,700,000	-	2,100,000
Wastewater Treatment						
Plant <sup>3</sup> .....	11/25/94	138,000,000	91,018,483	-	4,120,091	42,861,426
Main carrier <sup>3</sup> .....	11/22/98	28,100,000	11,547,353	-	-	16,552,647
Collection system <sup>3</sup> .....	04/24/00	<u>16,550,000</u>	<u>-</u>	<u>-</u>	<u>6,457,578</u>	<u>10,092,422</u>
Total .....		\$363,755,140	\$254,632,788	\$4,675,000	\$10,577,669	\$93,869,683

<sup>1</sup> Under new State procedures concerning funding of school construction projects, municipalities may request progress payments from the State during the projects' construction. The City expects to receive approximately 66% of project costs, or \$14,500,000, from the State in the form of progress payments, thus reducing the need for borrowing by that amount.

<sup>2</sup> Local Bridge Program Loan and Grant.

<sup>3</sup> The City has signed Interim Funding Agreements with the State of Connecticut for the construction of wastewater treatment facilities and repairs to its main carrier which will be permanently financed through the State of Connecticut Clean Water Fund Program at a 2% rate of interest.



**Current Debt Statement  
As of May 14, 2003**

General Purpose Bonds (including this issue) .....	\$142,849,189
School Bonds (including this issue) .....	11,104,412
Urban Renewal Bonds (this issue) .....	540,132
Sewer Bonds (including this issue) .....	92,920,297
State of Connecticut Interim Funding Obligations .....	<u>10,577,669</u>
Total Direct Debt <sup>1, 2</sup> .....	257,991,699

Less:

School construction grants <sup>3</sup> .....	418,083
Self-supporting water bonds .....	2,000,000
Self-supporting sewer debt .....	<u>103,497,966</u>
Total grants/self-supporting debt .....	105,916,049

Net Debt .....	\$152,075,650
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- <sup>1</sup> The City has entered into a 20-year agreement for design, construction and operation of sludge treatment facilities. The agreement with NETCO ("NETCO") calls for a base annual fee of \$1,601,600 with additional payments of \$280/ton for amounts over the specified contract tonnage (5,720 tons). At the end of the contract the City will purchase the facility from NETCO for \$1. The total contract value is \$32,032,000; 64% (\$20.382 million) is attributable to operation of the plant; 36% (\$11.65 million) is attributable to the facility's acquisition. At June 30, 2002, the net present value of minimum lease payments under this agreement was \$7,175,000.
- <sup>2</sup> The City of Waterbury enters into capital lease arrangements for certain routine equipment acquisitions. As of June 30, 2002, the City's general long-term debt account group contained a balance of \$3,436,000 representing the present value of payments for such purchases.
- <sup>3</sup> The State of Connecticut has approved a school construction grant in support of certain bonds. The final grant calculation for both principal and interest is made upon completion of the projects with appropriate adjustments made for ineligible costs.

**Current Debt Ratios  
As of May 14, 2003**

Population (2000) <sup>1</sup> .....	107,271
Net taxable grand list, 10/1/01 .....	\$3,267,706,362
Estimated full value at 70% .....	\$4,668,151,946
Equalized net taxable grand list (2000) <sup>2</sup> .....	\$4,759,379,739
Income per capita money (1999) <sup>1</sup> .....	\$17,701

	<b>Direct Debt</b>	<b>Net Debt</b>
	<b><u>\$257,991,699</u></b>	<b><u>\$152,075,650</u></b>
Per capita .....	\$2,405.05	\$1,417.68
Ratio to net taxable grand list .....	7.90%	4.65%
Ratio to estimated full value .....	5.53%	3.26%
Ratio to equalized net taxable grand list .....	5.42%	3.20%
Per capita debt to per capita income .....	13.59%	8.01%

<sup>1</sup>Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.

<sup>2</sup>Source: State of Connecticut, Office of Policy and Management.

**Ratio of Annual Debt Service To General Fund Expenditures and Transfers  
(\$ In Thousands)**

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>General Fund Expenditures and Transfers</b>	<b>Percent</b>
2002 .....	\$10,921	\$239,745	4.56
2001 .....	10,441	309,693	3.37
2000 .....	14,934	253,399	5.89
1999 .....	7,864	232,712	3.70
1998 .....	7,996	227,056	3.52
1997 .....	6,001	213,879	2.81

**Statement of Statutory Debt Limitation and Debt Margin  
As of May 14, 2003  
(\$ In Thousands)**

**Debt Limitation Base**

Total tax collections (including interest and lien fees) for the fiscal year ended June 30, 2002 .....	\$158,334
Reimbursement for revenue loss on Elderly Tax Relief .....	<u>46</u>
Debt limitation base .....	\$158,380

**Computation of Debt Limitation and Debt Margin<sup>1</sup>**

	<b>General Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit Funding</b>
<b>Multiple of base</b>					
2¼ times base .....	\$356,355	\$ -	\$ -	\$ -	\$ -
4½ times base .....	-	712,710	-	-	-
3¾ times base .....	-	-	593,925	-	-
3¼ times base .....	-	-	-	514,735	-
3 times base .....	-	-	-	-	475,140
Total debt limitation .....	356,355	712,710	593,925	514,735	475,140
<b>Indebtedness</b>					
Bonds payable <sup>1</sup> .....	132,447	7,155	92,482	-	-
This issue .....	8,402	3,949	439	540	-
Bonds authorized but unissued .....	8,081	14,801	70,988	-	-
State of Connecticut Interim Funding Obligations .....	-	-	10,578	-	-
Less school construction grants .....	-	418	-	-	-
Total indebtedness .....	148,930	25,487	174,487	540	-
Debt limitation by class in excess of outstanding and authorized debt .....	\$207,425	\$687,223	\$419,438	\$514,195	\$475,140

<sup>1</sup> Excludes outstanding balance of August 12, 1993 bonds to be refunded by this issue.

In accordance with Connecticut General Statutes, municipalities may not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness to be exceeded by class as outlined above and in no case shall total indebtedness exceed seven times the base, or in the City's case, \$1.108 billion.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas and electricity; for the construction of subways for cables, wire or pipes; and for the construction of underground conduits for cables, wires or pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of receipt of proceeds from State or Federal grants evidenced by a written commitment or by contract only to the extent such indebtedness can be paid from such proceeds and for debt to be paid from a funded sinking fund.

#### **Other Long-Term Commitments**

The City has entered into an agreement with NETCO-Waterbury Limited Partnership, a Delaware Limited Partnership, for the disposal of the City's sewage sludge. The agreement provides for NETCO-Waterbury Limited Partnership to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 50-dry-ton-per-day capacity, as well as related facilities. The capital lease costs associated with the design and construction of that facility are reflected as a liability in the Sewer Fund. See "Summary of Municipal Services, Solid Waste" herein for additional information.

From time to time, the City enters into capital lease contracts for various equipment and rolling stock. The present value of future minimum capital lease payments as of June 30, 2002 listed in the City's General Long-Term Debt Account Group totaled \$3,436,000.

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## SECTION V - FINANCIAL INFORMATION

### Discussion of Financial Operations

**General Fund Operations, Fiscal Years 1996-98:** Independent auditors were retained to undertake a review of then current year appropriations at mid-year. As a result of that review, the independent auditors projected a fiscal year 1995-96 operating deficit totaling \$13.8 million. City officials took steps to reduce that deficit, including, among other steps, an across-the-board ten percent decrease in each department's remaining budgetary appropriation. In addition, the City sought and received the necessary legislative authority from the Connecticut General Assembly (Public Act No. 96-705) to fund the cumulative fund balance deficit of \$24.87 million with bonds on April 17, 1996. Under the terms of the legislation, the Budget Advisory Council (the "BAC") was created and given limited advisory powers of oversight of City finances. The BAC had the power to make modifications to the City's budget and three-year plan but did not have additional powers such as the power to set the mill rate, or the power to act as its own arbitrator on labor contracts. The City provided the BAC with its first three-year financial plan. The BAC met monthly and reviewed City financial matters. State of Connecticut Special Act 01-1 which created the Assistance Board in March 2001 dissolved the BAC and provided the Assistance Board with strengthened powers of oversight and approval of the City's financial affairs.

Under the State of Connecticut pilot program Public Act No. 93-434, as amended, the City entered into an agreement for the collection of property taxes with Capital Asset Research Corporation, Ltd which was subsequently assigned to Angram Business Services, Inc. ("Angram") on January 25, 1999. Under this public/private agreement, the City was guaranteed 100% of the adjusted annual levy less a three-fourths percent collection fee. At the end of the fiscal year, prior period property tax liens receivable were in dispute with Angram, resulting in an approximately \$4 million shortfall in fiscal year 1997-98 results.

The City's contribution to the pension plan more than doubled from the prior year to \$19 million, including the additional appropriation of funds received from the State of Connecticut Legislature. The City discontinued the practice of expending medical benefits expenses from the Pension Trust Fund. Nonetheless, the City had substantial unfunded pension liabilities in fiscal years 1996-97 and 1997-98.

**General Fund Operations, Fiscal Year 1998-99:** Although actual appropriations did not exceed budgeted expenditures, an operating deficit resulted from a shortfall in revenues. However, adjustments made by the City, reviewed by its prior independent auditors, permitted the restatement of prior period fund balance to \$2.458 million from the previous balance of \$309,000. The adjustments reflected an accrual of several receivables as well as a portion of the disputed amount owed by Angram. This allowed the City to finish the year with a positive fund balance of \$480,000.

**General Fund Operations, Fiscal Years 1999-01:** The January 2000 bankruptcy filing of the City's tax collection contract vendor, Angram, as well as a budget impasse between the City and BAC were catalysts for the escalation in events, as set forth below, concerning City finances. The City and the BAC were increasingly divided about potential modifications to the 2000-01 Budget that the BAC felt were necessary.

On May 29, 2000, the BAC directed the City to make certain changes in the 2000-01 Budget. The changes reflected the BAC's contention that certain revenue projections were overly optimistic and would not be realized, and that the City had underfunded its actuarial recommended pension fund contribution by a minimum of \$5 million. The criticized revenue included: (i) approximately \$9 million in revenues from a contract with a private firm proposing to audit certain public utility companies' personal property; and (ii) \$8.5 million from the proposed sale of delinquent tax liens. The BAC directed the City to increase the current year pension contribution by \$5 million and reduce revenues to more accurately reflect expectations and past experience. The City did not implement the BAC's recommendation.

At its August 2000 meeting, the BAC passed a motion requesting that the State undertake a study in connection with the BAC's unresolved budget concerns. In addition to the foregoing, the BAC also tabled its statutorily required approval of the City's three-year plan. In response to the BAC's request, the State commissioned a fiscal/legal review, assessing the City's fiscal standing, specifically in relation to the expectation for the fiscal

year ended June 30, 2000 as well as the 2000-01 budget. Additionally, a management review of City financial operations was conducted. The review found that the eventual deficit was larger than initially reported. A second segment of the study was the examination of City labor contracts and comparative information about wages and benefits for comparable communities in Connecticut. The study concluded that the City's wage structure was either reasonable or low compared to other communities but that benefits were more generous than other municipalities.

In December 2000, the cumulative effect of the Angram bankruptcy filing and revenue shortfall necessitated a cash-flow borrowing for the City. In December 2000, the City approved a special tax assessment of 5.88 mills, in an attempt to raise \$9.3 million of additional revenue to cover a portion of expected fiscal year 2000-01 deficit. The special tax assessment, an across-the-board reduction in appropriations, and a \$19.55 million tax anticipation note were initial steps taken by the City to restore the balance to the City's operating position.

On December 27, 2000 the City's audited financial statements were released confirming previous expectations for a deficit fund balance. Subsequently the City's Director of Finance concurred with much of what was asserted in the Review and recommended restating the \$17.8 million general fund deficit, as audited, and making a series of adjustments that were ultimately reflected in the 2000 and 2001 audited financial statements.

In response to the financial crisis in December 2000, the General Assembly of the State of Connecticut passed Special Act 01-1, as amended, which created the Waterbury Financial Planning and Assistance Board, established on March 9, 2001, and dissolved the BAC. The Assistance Board has greater authority and control over the City's finances than the BAC previously had. Since then, the Assistance Board and its staff have worked collaboratively with the City staff to institutionalize a number of systems and controls to monitor the City's financial condition.

In May 2001, shortly after the enactment of the Act, the Assistance Board approved the issuance of a \$45.0 million interim deficit borrowing by the City. This borrowing addressed the City's critical cash flow needs pending the completion of the fiscal year 2000-01 audit and the other steps necessary for the City and the Assistance Board to issue the permanent deficit financing. The interim deficit borrowing was issued with the understanding that the \$45.0 million would be retired through the permanent deficit borrowing.

Following the close of the year, the City's audit for fiscal year 2000-01 determined that the City of Waterbury had an accumulated deficit, as of June 30, 2001, of \$73.4 million. This amount did not include the need to borrow the prior year's principal and interest payment, the remaining deficits in certain self-insurance funds, technology needs, and the operations of the Assistance Board. As a result of the Assistance Board's findings following the enactment of Special Act 01-1, a successful attempt was made to have the State Legislature raise the \$75.0 million maximum related to the State's Special Capital Reserve Fund ("SCRF")-backed permanent deficit borrowing up to \$100.0 million. On April 4, 2002, the City sold \$97.465 million general obligation SCRF bonds in order to fully fund the deficits.

**General Fund Operations, Fiscal Year 2001-02:** The City is emerging from a severe deficit fiscal condition. In the fiscal year 2001-02, the City of Waterbury can point to several highly significant results that were achieved in partnership with the Assistance Board. These include:

- A balanced budget for the first time in at least ten years.
- Successful steps taken to achieve an appropriate level of General Fund undesignated fund balance.
- Major steps to achieve a properly funded Pension Trust Fund.
- Substantial cost-saving changes to collective bargaining contracts.
- Vastly improved budgetary administration controls and reporting.
- Development and adoption of a three-year Capital Improvement Program.
- Real property revaluation for the first time in 22 years.
- Initiatives for Government reorganization and efficiency which include:
  - Department of Finance reorganization
  - Re-establishment of a budget office
  - New positions for Information Services
  - Consolidation of the Public Works activities into a comprehensive department

- Establishment of actuarially based, pre-funded internal service funds for self-insured programs.

### **Governmental Accounting Standards Board No. 34**

Fiscal Year 2001–02 represents the first year that the City of Waterbury’s financial reporting is in accordance with Statement No. 34 of the Governmental Accounting Standards Board (“GASB”). Certain prior year activity is not available to provide comparative information. Future Management Discussion and Analysis letters will be presented on a comparative basis. Refer to “Management Discussion and Analysis” for a broader discussion of Statement No. 34 compliance in the City’s audited financial statements, as attached hereto in Appendix A.

#### **GASB 34 Financial highlights:**

- The City’s net assets increased as a result of this year’s operations. Net assets of business-type activities increased by \$8.8 million, or nearly 7.6 percent. Net assets of governmental activities increased by \$32.7 million, or nearly 22.7 percent.
- During the year, the City had expenses that were \$32.7 million less than the \$367.9 million generated in tax and other revenues for governmental programs.
- In the City’s business-type activities, revenues decreased to \$4.9 million (or 12 percent) while expenses increased by 5.5 percent.
- Total cost of all of the City’s programs was \$356 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$14 million.
- The resources available for appropriation were \$6.1 million more than budgeted for the General Fund. Expenditures were kept within spending limits.

**General Fund Revenues and Expenditures**  
(In Thousands)

	<u>Actual 2001-02</u>	<u>Actual 2000-01</u>	<u>Actual 1999-00</u>	<u>Actual 1998-99</u>
<b>Revenues</b>				
Property taxes and assessment principal .....	\$158,384	\$129,139	\$117,852	\$125,506
Intergovernmental revenue .....	123,263	108,227	102,061	99,076
Interest, rent services and miscellaneous income .....	4,400	3,231	6,198	4,727
Reimbursement and transfers from other funds .....	8,648	5,179	2,466	2,718
Licenses and permits .....	<u>2,506</u>	<u>1,331</u>	<u>516</u>	<u>685</u>
Total revenues .....	297,201	247,107	229,093	232,712
<b>Expenditures</b>				
General Government .....	7,578	7,761	7,564	6,853
Debt service .....	11,112	10,441	14,934	7,864
General financial .....	85,708	73,985	57,752	57,912
Public works .....	12,199	13,788	12,437	12,695
Public safety .....	42,175	43,939	42,822	44,138
Public health.....	2,599	2,763	2,903	2,806
Public assistance .....	120	113	94	74
Education .....	113,340	109,396	103,023	99,914
Library .....	1,535	1,649	1,890	1,808
Park and recreation .....	4,171	4,151	4,605	4,568
Other .....	<u>775</u>	<u>5,481</u>	<u>-</u>	<u>-</u>
Total expenditures .....	281,312	273,467	248,024	238,632
Results of operations .....	15,889	(26,360)	(18,931)	(5,920)
Transfers and borrowing proceeds .....	71,610	(28,062)	3,716	3,942
Fund balance (deficit) beginning as previously reported .....	(73,449)	(17,786)	480	309
Prior period adjustments .....	<u>-</u>	<u>(1,241)</u>	<u>(3,051)</u>	<u>2,149</u>
Fund balance (deficit) ending .....	\$14,050	\$ (73,449)	\$ (17,786)	\$ 480
% Fund balance (deficit) of expenditures .....	5.0%	(26.9)%	(7.2)%	0.2%

**Current Year Operations, Fiscal Year 2002-03:** The adopted budget for fiscal year 2002-03 of \$304.2 million is an increase of \$13.1 million from the adopted budget of \$291.1 for the fiscal year 2001-02. An increase in general property tax collections is expected to lead this increase. The tax rate was established at 54.86 mills to fund the 2003 budget. The tax rate decrease is primarily attributable to the first property revaluation in 22 years. The Tax Collector's Office had implemented collection procedures permissible by law to increase delinquent tax collections.

The City's Office of Budget Control's most recent projection is for a positive budgetary result of operations for the 2003 fiscal year at \$2.9 million. This estimate is based on projected revenues in excess of revenue estimates of \$1.6 million and expenditures lower than budgetary appropriations of \$1.3 million.

The current uncertainty regarding the State of Connecticut's budget deficit and potential reductions in State grants to cities and towns could affect these projections. The severity of the 2003 winter season and its effect on snow removal and utility costs could also affect the budgetary surplus projection. However, the City has developed a contingency plan intended to offset any issues that may arise.

The City reported an unfunded actuarial accrued liability for the City's pension plan of \$432 million at June 30, 2002. An ordinance greatly strengthening the Retirement Board was adopted April 7, 2003 by the Board of

Aldermen. The ordinance provides for mandatory minimum actuarial-based contributions from the General Fund for the next five years ranging from \$39 million to \$45 million.

In the City's business-type activities, the Bureau of Water and Waste Treatment user fees remain unchanged for fiscal year 2003 compared with the 2002 rates. The City is continuing to improve user fee collection efforts on delinquent accounts.

**Mayor's Proposed Budget, Fiscal Year 2003-04:** The Mayor's proposed fiscal year 2003-04 budget was forwarded to all the appropriate boards on March 6, 2003. Final budget and mill rate approval will be set by May 29, 2003 to ensure that tax bills are mailed prior to July 1, 2003.

The Mayor's proposed budget decreases approximately 14 departmental full-time positions. It recommends additional positions in the Department of Human Resources and the Tax Collector's Office. The fiscal year 2002-03 budget enhanced the areas of Finance, Budget Control, and Information Services to begin the City on the efforts of increasing its capacity to manage its own finances. The fiscal year 2003-04 budget continues its reconstruction of City departments by concentrating efforts in the areas of Human Resources and increased delinquent collections, and continues the work of reorganizing the Public Works Department. The budget assumes that the cost of current services and the Mayor's initiatives will necessitate appropriations of \$315,755,075. The most significant source of the increase arises out of the implementation of recommendations drawn from a study performed by the Assistance Board Subcommittee on Pensions. The implementation of the recommendations of the study would have the pension plan funded at a 70% level within 20 years. The City is committed to following this plan which mandated minimum required contributions for the next five years.

The first revaluation of property in the City since 1979 was completed in 2001. As required by law, the City had to revalue its property again in 2002. On February 28, 2003, the City Assessor certified the 2002 Grand List totaling approximately \$3.383 billion. This represents a 3.01% increase over last year's grand list of approximately \$3.285 billion. The grand list represents the total assessed values for all taxable real and personal property and motor vehicles located within the City on October 1. Taxpayers had until March 20, 2003 to file an application for a hearing with the Board of Assessment Appeals. Last year at this time, approximately 4,000 appeals had been filed; this year approximately 600 appeals have been filed. The Board of Assessment Appeals must complete its work by June 30, 2003. The Mayor's Proposed 2004 Budget assumes that the grand list may lose approximately 0.85% of its value due to the appeals process. The Mayor believes this is a reasonable assumption since most of the appeals settled or stipulated on last year's grand list have agreed to the same amounts for prospective grand list years. The Assessor's Office also reports that most of the applications filed for appeal on this year's grand list appear to be residential in nature.

**Pension Programs:** Pursuant to Section 11 of Special Act 01-1, the following represents the Waterbury Financial Planning and Assistance Board (the "Assistance Board") pension report and action plan concerning the unfunded pension liability of the City of Waterbury pension system. The report was unanimously approved by the Assistance Board at its meeting on February 20, 2003.

The Assistance Board assigned the development of the report and recommendations to the Pension Subcommittee, which began its work in January 2002. The report is the result of over a year's work by the membership of that committee and staff of the Assistance Board.

By way of background, over the past twenty years, the unfunded liabilities have increased from just over \$50 million in 1981 to approximately \$432 million in 2003. At present, the City of Waterbury is essentially operating on a pay-as-you-go approach to financing pension benefits, with assets of \$19.7 million, far below its accrued liability, estimated at \$432 million, for a funding ratio of only 4.36%.

During the beginning phase of its work, the Pension Subcommittee acknowledged the absence of any current plausible short-term solution to fully fund the City's pension benefit obligation, following several decades of severely under-funding of the City's annual pension fund contribution.

Therefore, the Assistance Board established as one of its goals a funding ratio of 70% within twenty years, the current average funding level of public pension funds across the country. To achieve this goal, the Assistance



Board underscores that there is no substitute for the long-term financial discipline required by the City to put its pension fund on a sound fiscal footing.

The report contains a series of recommendations aimed at limiting the future growth of the unfunded liability for active and new employees, and continuing on a pay-as-you-go basis to finance pension benefits for the closed group of current retirees, for which the City's liability will naturally decline over time. The primary recommendation of the Assistance Board calls for an actuarially determined minimum funding level over the next five years, which would begin the process of paying down the active unfunded liability, by exceeding the contribution amount necessary to meet pension payroll.

The report also recommends that this funding requirement be mandated by the adoption of a City ordinance. In the sixth year, and thereafter, the City would appropriate contributions based on annual actuarial valuations that would then take into full account the actual experience of the City's retirement system, including investment gains and losses.

Overall, the recommended contribution schedule would phase in an actuarially sound approach to financing pension benefits and enable the City to better plan for its financial obligations over the next five years. However, it is not viewed as a wholesale remedy to the City's unfunded pension liability. For example, there is concern about the 8.5% investment return assumption, which plays an important role in determining the City's funding level, and the likelihood of achieving such performance in the near term based on market assumptions. Should the Waterbury pension plan suffer significant investment losses, the five-year minimum funding requirement would shield the City against the need to increase its contribution to compensate for such loss, but the actuarially recommended contributions in the ensuing fiscal years could increase dramatically.

Mindful of the potential for the City to experience future budgetary pressure in meeting the actuarially recommended contribution, the Assistance Board has also made other recommendations that could help to further reduce unfunded liability, provide additional investment income and/or otherwise achieve administrative cost reductions.

The recommendations include: periodic costs and benefits analysis of the use of Pension Obligation Bonds to eliminate a portion of the unfunded liability, continued investigation of other types of transactions involving City-owned property that could generate an infusion of cash for the pension fund, study of the merits of pursuing alternative pension plans including the Connecticut Municipal Employees Retirement System ("CMERS") and 401(a) Plans, and consideration of the merits of pooling the City's pension fund assets with the State for investment purposes.

At the present time, the Assistance Board's recommendation calls for the City to continue to administer its pension plan in recognition of the steps that have been recently taken to achieve significant benefit changes, as well as strengthening the management of its pension fund investment program.

It should be noted that some opinions have been expressed regarding the merits of the City's continued role as a plan sponsor. However, the Pension Subcommittee's primary focus was to analyze the City's unfunded liability, which for the most part would survive any transfer of sponsorship, barring any successful negotiations with the State under CMERS to subsidize the City's funding requirement. Nevertheless, as part of its recommendations, the Assistance Board supports the City in undertaking an in-depth analysis of alternative retirement vehicles for its active and/or new hires.

It is the opinion of the membership of the Waterbury Financial Planning and Assistance Board that these recommendations, and the supporting data and explanations outlined in the report, will assist the City of Waterbury in adopting a measured, disciplined and prudent approach to address the unfunded pension liability.

## 2002-03 and 2003-04 Budget Information

	<u>Fiscal Year 2003 Budget</u>	<u>Fiscal Year 2003 Projections</u>	<u>Mayor's Proposed Fiscal Year 2004 Budget</u>
<b>Revenues</b>			
General property taxes .....	\$172,098,485	\$174,169,209	\$177,578,814
Payments by other jurisdictions .....	23,096,972	21,035,151	20,148,822
Other Finance Department revenue .....	4,993,752	5,040,533	8,300,000
Reimbursements from other funds or authorities .....	5,728,386	5,617,161	4,842,395
Education .....	95,063,169	95,669,724	98,406,294
All other departments .....	<u>3,268,886</u>	<u>3,368,585</u>	<u>6,478,750</u>
Total revenues .....	\$304,249,650	\$304,900,363	\$315,755,075
<b>Expenditures</b>			
General Government .....	\$ 3,191,795	\$ 4,574,173	\$ 3,343,375
Planning and Development .....	713,991	649,546	787,691
Finance .....	4,179,495	3,961,222	4,117,102
Public Safety .....	42,001,564	41,492,102	42,194,024
Public Works .....	16,836,388	16,817,009	16,248,456
Human Services .....	4,484,319	4,227,213	4,431,275
Retirement Board .....	36,087,500	36,087,500	39,025,500
Education .....	123,500,000	123,470,000	130,000,000
Operating charges .....	<u>73,254,598</u>	<u>72,166,162</u>	<u>75,607,652</u>
Total expenditures .....	\$304,249,650	\$303,444,927	\$315,755,075

**Financial Plan: Fiscal Years 2003-05:** The Financial Plan was approved on March 20, 2002 by the Assistance Board. As required by the Act the Assistance Board determined that the Financial Plan complied with the Act in all respects and contained projections of revenues and expenditures that were based on reasonable and appropriate assumptions and methods of estimation. It utilizes the current year, fiscal year 2003, as the base year. It is the City's and the Assistance Board's plan to update the plan by August 2003 and each August thereafter in order to assist with budget planning for subsequent years. Detailed in the plan are more than ten pages of assumptions. Chief among them is full implementation of revaluation, which implementation has occurred in the current fiscal year.

The Financial Plan estimated successive mill rates of approximately 55.4, 59.3, and 62.4 in 2003, 2004 and 2005, respectively, unless additional savings can be achieved or other revenues are found in other areas of the budget. The tax rate for fiscal year 2003 is the 55.4 mills included in the plan, while the Mayor's proposed budget for fiscal year 2004 includes a mill rate of 54.3 mills. The budget and the mill rate for 2004 will require action approval by the Board of Aldermen and, finally, by the Assistance Board.

In 2002, the Assistance Board contracted with KPMG LLP to perform a comprehensive study of City departments for savings related to improved operational effectiveness and efficiencies. The findings in this study have either been or are in the process of being implemented. The Assistance Board has hired consulting firms to undertake a similar study focused on the Police Department, as well as a comprehensive facility study related to the education departments. These and other potential effectiveness and efficiency studies will have an impact upon the Financial Plan—either as to savings or additional budgetary requirements (see "Initiatives Contained in the Financial Plan" below).

## Financial Plan Summary

	<u>Fiscal Year 2002 Budget</u>	<u>Fiscal Year 2003 Budget<sup>1</sup></u>	<u>Fiscal Year 2004 Budget<sup>2</sup></u>	<u>Fiscal Year 2005 Budget</u>
<b>Revenue</b>				
General property tax .....	\$160,232,692	\$162,207,150	\$190,142,825	\$204,135,369
Payments by other jurisdictions .....	26,995,268	23,391,876	23,391,876	23,391,876
Other Finance Department revenue .....	3,322,370	3,606,100	3,806,100	3,906,100
Reimbursement from other funds or Authorities .....	6,498,149	5,708,386	5,708,386	5,708,386
Education .....	91,287,084	96,698,169	101,698,169	106,698,169
All other departments .....	2,479,245	3,228,886	3,228,886	3,228,886
Additional amounts to be raised or savings to be achieved .....	-	11,956,873	-	-
Total revenues .....	\$290,814,808	\$306,797,440	\$327,976,242	\$347,068,786
<b>Expenditures</b>				
General Government .....	\$ 3,832,289	\$ 4,566,295	\$ 4,598,795	\$ 4,632,108
Planning and Development .....	718,957	709,291	709,291	709,291
Finance .....	3,217,624	4,128,873	4,193,873	4,193,873
Public Safety .....	43,290,374	42,378,704	42,862,644	42,862,644
Department of Public Works .....	12,962,446	12,962,154	13,121,223	13,356,417
Human Services .....	2,842,592	2,867,269	2,867,269	2,867,269
Recreation .....	5,543,419	5,400,672	5,484,485	5,608,409
Education .....	116,500,000	122,500,000	129,500,000	137,500,000
Operating charges .....	101,907,107	111,284,182	124,638,662	135,338,775
Total expenditures .....	\$290,814,808	\$306,797,440	\$327,976,242	\$347,068,786

<sup>1</sup> The City General Fund budget for fiscal year 2003 subsequently adopted by the Board of Aldermen and approved by the Assistance Board totaled \$304,249,650 for both revenues and appropriations.

<sup>2</sup> The Mayor's proposed General Fund budget for fiscal year 2004 totals \$315,755,075 for both revenues and appropriations.

### Initiatives Contained in the Financial Plan

#### *Budgetary Controls and Management*

The City, working with the Assistance Board, has instituted measures to greatly strengthen budget management and tracking. Systems have been put into place in regard to position and overtime controls and in other areas as well. A monthly financial report, with year-to-date expenditures and projections for the balance of the year, is an important tool in regard to these efforts.

#### *Revenue Enhancements*

The Financial Plan also reflects significant efforts to enhance non-current tax revenues, including the area of delinquent taxes and fees, in regard to which the Mayor's proposed fiscal year 2004 budget creates a consolidated revenue collection bureau. In addition, the City and the Assistance Board have worked to increase fees and fines to levels comparable to similar cities, including parking fees/fines, golf course fees, building permits, and recreation fees.

#### *Financial Management*

The Financial Plan recognized the critical need to strengthen the City's core administrative and financial systems, both in terms of staffing and technology. The major initiatives that the City has implemented in accordance with the adopted Financial Plan include:

- **Finance Department Reorganization.** The fiscal year 2003 budget funded the following new positions: Manager of Accounting and Reporting; Claims Manager; Treasury Manager (cash management issues); and Grants Accounting Manager in order to address the need for more depth of staff in that department.
- **Reestablish Budget Office.** After having a part-time Budget Director for a number of years, the current budget calls for a full-time Budget Director and a Budget Analyst position. A former member of the staff of the State Office of Policy and Management has been appointed by the Mayor as the Budget Director.
- **New Information Services Positions.** The current budget includes four new positions, including a Network Administrator, to assist with the implementation of the \$5.0 million technology upgrade.

### *Capital Budget Planning*

The City has instituted a formal three-year capital budget plan. This plan covers capital funding available to the City from the General Fund, existing bond funds, State and federal grants, and the City's enterprise funds. The capital improvement plan is another critical planning tool for the City. The General Fund budget for fiscal year 2002-03, as well as the plan for each of the fiscal years 2004 and 2005, includes \$1.0 million for a Capital Reserve/Equipment account. It is expected that a school facilities study that is under way will cite the need for significant capital needs in the area of school facilities.

### *Consolidating Departments and Modernizing City Operations*

A major management and organizational issue that faced the City was the large number of departments, many of them small departments, reporting directly to the Mayor. The Financial Plan seeks to consolidate control, as well as address weaknesses related to coordination and, as a result of too much compartmentalization, less than a fully efficient use of staff and resources. As a major first step in addressing this issue, the fiscal year 2003 budget consolidated the following formerly independent departments under a new Director of Public Works position: Engineering; Traffic Engineer; Streets; Public Buildings; Central Vehicle Maintenance; Refuse Collection; and North End Landfill. As a next step, the Mayor's proposed 2004 budget consolidates the currently disparate functions related to personnel, labor relations, and benefits administration into a new human resources department. In addition, the current City administration pursued, and received voter support for, significant changes to the City's outdated Charter, which changes will allow for reforms with respect to the City's personnel and purchasing practices, as well as the ability to further reorganize City government.

### *Collective Bargaining Agreements/Health Insurance*

As discussed earlier, the Assistance Board has either approved or arbitrated new collective bargaining agreements with the following unions: fire, teachers, school administrators, white collar, municipal managers, nurses, and community development workers. Among the major savings with these agreements are those associated with health insurance savings. In addition, the agreements contain a number of changes associated with vehicle staffing requirements for the Fire Department; pension benefits, sick leave and vacation pay; overtime; holiday pay; management rights; and in regard to other provisions.

### *Internal Service Funds: Health Benefits; Worker's Compensation; Heart and Hypertension; and General Liability*

The City's risk management function is primarily controlled and accounted for in four internal service funds: Health Benefits Fund; Worker's Compensation Fund; Heart and Hypertension Fund; and General Liability Fund. As part of the deficit borrowing, the City included funding to address significant portions of the unfunded liabilities existing in these funds. The City has also hired an outside actuarial firm to determine the level of funding needed in the General Fund budget in order to ensure that these funds will be maintained at actuarially appropriate levels. The City's Board of Aldermen approved an ordinance on April 7, 2003 regarding risk management and is in the process of developing related policies that will govern these funds, including the requirement that they be funded at appropriate levels. As provided for in the Financial Plan, the City has hired a new third party administrator to manage its worker's compensation/heart and hypertension claims. The City, through this administrator, has implemented a managed care program, and the City expects to greatly improve its loss experience in these areas.

## **Audit**

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the City is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The City of Waterbury is in compliance with said provisions.

The City issued the FY 2002 Comprehensive Annual Financial Report ("CAFR") on February 27, 2003 including the Auditors' opinion; the Federal and State Single Audit Reports and the Report on Compliance and Internal Control over Financial Reporting (Management Report) were issued on February 11, 2003. The Federal and State Single Audit Reports noted that there were significantly fewer questioned costs than the previous year. There were three questioned costs characterized by the auditors as "material." These three questioned costs will require major changes in the City's Information Technology infrastructure. Steps to implement such changes are under way. The Independent Auditors' opinion contained in the CAFR is unqualified.

## **Accounting and Budgetary Basis**

The City's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The City's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The City's accounting policies conform to generally accepted accounting principles as applied to governmental units, including full compliance with GASB 34. The independent auditors issued an unqualified opinion for the fiscal year ended June 30, 2002.

The procedures for adoption of the annual budget are as follows:

On or before the first day of April of each year, the Mayor shall submit to the Board of Aldermen the following:

1. An annual or current expense budget, which shall be a complete financial plan for the ensuing fiscal year, consisting of the budget proper and the budget message; and
2. A capital budget.

A complete revision of the City's Charter was adopted by the voters in the November 2002 election. This revised Charter included significant changes to the budget process which required the budget to disclose certain information as listed below:

1. A general executive summary of all of its contents;
2. An estimate of all revenue cash receipts anticipated from sources other than the tax levy of the ensuing fiscal year;
3. An estimate of the General Fund cash surplus at the end of the current fiscal year or of the deficit to be made up by appropriation;
4. The estimated expenditures necessary for the operation of the several departments, offices and agencies of the City;
5. Debt service requirements for the ensuing fiscal year;
6. An estimate of the sum required to be raised by the tax levy for the ensuing fiscal year, assuming a rate of current levy year collections not greater than the average rate of collection in the year of levy for the last three completed fiscal years. The Mayor may deviate from said assumed collection average. In the event the Mayor submits a budget containing such a deviation in the rate of collection in excess of (i) the three-year average or (ii) a rate of collection of 93 percent, whichever is lesser, said budget submission shall be accompanied by a certification by the Finance, Audit and Review Commission asserting that the assumption is a reasonable estimate upon which the Board of Aldermen may rely;
7. A balanced relationship between the total estimated expenditures and total anticipated revenue cash receipts, taking into account the estimated General Fund cash surplus or deficit at the end of the current fiscal year; and

8. The anticipated income and expense as well as profit and loss for the ensuing fiscal year for each utility of other enterprise fund operated by the City.

The Mayor forwarded the budget to the Board of Aldermen on March 6, 2003; the Mayor's Proposed Budget endeavors to include all of the additional information included in the Charter requirements adopted three months ago.

The Board of Aldermen, before the end of April, considers and acts upon and may amend the estimates of the Mayor's Proposed Budget and make appropriations upon the basis of such estimates as may be necessary and proper to meet such expenses and shall levy a tax necessary to meet such expenses. The Board of Aldermen will conduct two public hearings. After their deliberations, they will adopt a budget which will be forwarded to the Waterbury Financial Planning and Assistance Board.

Pursuant to the Act, the Assistance Board must approve the City's budget. The Act provides that the Assistance Board shall disapprove the proposed budget if, in the judgement of the Assistance Board, the budget fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation or fails to provide that operations of the City will be conducted within cash resources available according to the Assistance Board's revenue estimates. If the Assistance Board disapproves the annual budget, the Assistance Board shall develop and approve an interim budget which will remain in effect until such time as a modified budget is adopted by the City and approved by the Assistance Board.

### **Property Tax Assessment**

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable real and personal property and motor vehicles located within the City on October 1. Each year a Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles and personal property are computed at 70% of their annual values.

In accordance with Connecticut General Statutes, the City conducted a general revaluation of real property effective as of October 1, 2001. This was the first revaluation that the City has conducted since October 1, 1977. Public Act 97-254 amended Connecticut General Statutes Section 12-62 and changed the revaluation cycle for Connecticut municipalities to include a revaluation every four years and a physical inspection of all real properties once every twelve years, with the first such inspection no later than 2009. Through a series of acts of the Connecticut General Assembly, including Public Act 95-283, 96-171 and 96-218, Waterbury and several other Connecticut municipalities were given the right to defer revaluation until the October 1, 1998 grand list (effective for fiscal year 2000). Per Public Act 97-254, the City was required to revalue its real estate portion of the grand list for the October 1998 grand list and every four years thereafter.

As required by law, the City completed another revaluation effective for the October 1 2002 grand list. This revaluation was statistical in nature, not requiring physical inspection. On February 28, 2003, the City Assessor certified the 2002 Grand List totaling approximately \$3.383 billion. This represents a 3.01% increase over last year's grand list of approximately \$3.285 billion. The grand list represents the total assessed values for all taxable real and personal property and motor vehicles located within the City on October 1. Taxpayers had until March 20, 2003 to file an application for a hearing with the Board of Assessment Appeals. Last year at this time, approximately 4,000 appeals had been filed; this year approximately 600 appeals have been filed. The Board of Assessment Appeals must complete its work by June 30, 2003.

Under Connecticut General Statute 12-111, in the event that any person appeals an assessment of industrial, commercial utility or apartment property assessed at greater than \$500,000, the BAA may vote to decline to hear such appeal, in which case appeal may be brought directly to the Superior Court. The BAA has until June 30, 2003 to hear the appeals which have been filed as a result of the recent revaluation. In the event that any person claims to be aggrieved by the result of an appeal to the BAA, such person may, within two months of the date of mailing of the notice of any action by the BAA, make a further appeal to the Superior Court. Any appeal

heard by the Superior Court will be heard de novo, that is, the Superior Court will not be bound by any findings of the BAA. Pending the outcome of any appeal, an aggrieved taxpayer must pay 90% of his taxes based on an assessed value of \$500,000 or more, or 75% of his taxes based on an assessed value of less than \$500,000. If a taxpayer's appeal to the Superior Court is successful, the taxpayer may be granted a refund, together with interest and any costs awarded by the court or, at his option, may receive a tax credit for any overpayment.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last general revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the State Office of Policy and Management in cooperation with the Connecticut Association of Assessing Officials. Connecticut General Statutes Section 12-71b provides that motor vehicles that are registered with the Commissioner of Motor Vehicles after the October first assessment date but before the next July first, are subject to a property tax as if the motor vehicle has been included on the October grand list. The tax is not due until January first, a year and three months after the grand list date.

### **Property Tax Levy and Collection**

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real property taxes and motor vehicle taxes are payable in two installments on July 1 and January 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is credited first. Outstanding real estate tax accounts are lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected, but within 60 days, to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

## Tax Collections

<u>Grand List as of October 1</u>	<u>Fiscal Year Ended June 30</u>	<u>Net Taxable Grand List<sup>1</sup></u>	<u>Mill Rate</u>	<u>Adjusted Annual Levy<sup>2</sup></u>	<u>% of Annual Levy Collected at End of Fiscal Year</u>	<u>% of Annual Levy Uncollected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected as of 02/28/03</u>
2001 <sup>2</sup> .....	2003	\$3,267,706	54.86	178,296	-----IN PROCESS-----		10.49
2000 .....	2002	1,680,961	97.78	163,504	91.25	8.75	6.21
1999 .....	2001	1,648,896	74.64	135,396	92.23	7.77	4.29
1998 .....	2000	1,612,793	74.64	122,113	93.68	6.32	2.98
1997 .....	1999	1,563,168	74.64	120,041	93.04	6.96	2.74
1996 .....	1998	1,606,800	74.64	115,599	95.83	4.17	2.39
1995 .....	1997	1,567,435	74.64	113,787	93.20	6.80	2.00
1994 .....	1996	1,552,589	74.64	104,603	96.11	3.89	1.61

<sup>1</sup>Figures in thousands and Grand List as adjusted by the Board of Assessment.

<sup>2</sup>Revaluation year.

## Principal Taxpayers

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessment</u>	<u>Percent of Net Taxable Grand List of 10/1/01</u>
General Growth Properties <sup>1</sup> .....	Retail	\$ 82,636,400	2.53
Connecticut Light & Power .....	Utility	34,267,570	1.05
Yankee Gas Company .....	Utility	21,040,460	0.64
Starwood Ceruzzi .....	Retail	20,778,370	0.64
Olin Corporation .....	Leasing	15,556,900	0.48
K-Five Associates Limited	Retail	15,052,030	0.46
Clydel Mfg. Company .....	Manufacturing	13,963,410	0.43
Webster Bank .....	Bank	12,866,390	0.39
MacDermid Incorporated .....	Chemicals	12,083,830	0.37
Truelove & Maclean, Inc. ....	Manufacturing	<u>11,284,870</u>	<u>0.35</u>
Total .....		\$239,530,230	7.33

<sup>1</sup> Brass Mill Center Regional Mall.

## Comparative Assessed Valuations of Taxable Property<sup>1</sup> (\$ In Thousands)

<u>Grand List 10/1</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Other Land</u>	<u>Personal Property</u>	<u>Motor Vehicle</u>	<u>Gross Taxable Grand List</u>	<u>State Grants and Exemptions</u>	<u>Net Taxable Grand List</u>	<u>Percent Increase/ (Decrease)</u>
2001 <sup>1</sup> ..	50.9%	27.7%	2.5%	9.8%	9.1%	\$3,379,503	\$111,796	\$3,267,706	94.4%
2000 ....	40.9%	22.5%	1.4%	18.7%	16.5%	1,785,423	104,462	1,680,961	1.9%
1999 ....	41.3%	23.3%	1.4%	17.6%	16.4%	1,753,366	103,368	1,649,998	2.3%
1998 ....	42.7%	23.2%	1.3%	17.2%	15.6%	1,718,956	106,163	1,612,793	2.6%
1997 ....	38.0%	29.1%	1.4%	15.9%	15.6%	1,679,010	106,862	1,572,148	2.3%
1996 ....	39.1%	27.5%	1.7%	14.9%	16.8%	1,630,447	93,072	1,537,375	1.7%
1995 ....	40.1%	27.9%	1.5%	14.1%	16.4%	1,588,088	76,525	1,511,563	0.7%
1994 ....	40.4%	29.2%	1.5%	13.8%	15.1%	1,575,367	74,598	1,500,769	-

<sup>1</sup> Reflects 2001 revaluation. See "Property Tax Assessment" herein for additional information.



## Intergovernmental Revenues as a Percent of General Fund Revenues

<b>Fiscal Year Ended June 30</b>	<b>Intergovernmental Revenues (in 000s)</b>	<b>General Fund Revenues (in 000s)</b>	<b>Percent</b>
2002 .....	\$123,263	\$297,201	41.47
2001 .....	108,227	247,107	43.80
2000 .....	102,061	229,093	44.55
1999.....	99,076	232,712	42.57
1998 .....	91,043	218,966	41.58
1997 .....	90,963	243,334 <sup>1</sup>	37.38
1996 .....	88,803	206,466	43.01
1995 .....	85,771	212,616	40.34
1994 .....	83,823	205,858	40.72
1993 .....	80,190	198,330	40.43

<sup>1</sup>Includes bond proceeds.

### Risk Management

The City's recently revised Charter sets forth the risk management policy of the City and mandates that the City optimize the application of its financial resources and level the financial fluctuations inherent in risk management through various means. On April 7, 2003, the Board of Aldermen approved an ordinance implementing these Charter revisions.

The City is self-insured in most areas of risk. These include general liability, collision for City vehicle, workers' compensation, heart and hypertension, unemployment and employee health claims. The City's Legal Counsel defends the City in any lawsuits that arise from the normal course of operations.

The City has an Anthem Blue Cross/Blue Shield minimum premium medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem Blue Cross/Blue Shield acts as a claims processor and a transfer of risk does not occur.

As a result of the collective bargaining agreements between the Assistance Board and the fire, blue collar and teachers unions, the City has implemented changes in the health insurance plans offered to its employees. These agreements, resulting in an annual savings of approximately \$4 million, eliminate the City's use of traditional indemnity plans and provide employees with a choice of three managed care plans and a three-tier managed prescription program. Employees are now required to pay a percentage of the premiums. An additional \$2 million in savings is anticipated annually from the City and the Assistance Board's efforts to move over 1,200 retirees enrolled in 18 various self-insured health plans into three different preferred provider organization plans, or point of service or point of enrollment plans.

The City has hired Segal Company, a benefit consultant, to assist the City in negotiating rate renewals and to develop a strategy with regard to health and life insurance issues.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2002, \$40.0 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4.7 million have been accrued as a liability based upon information supplied by the City's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

An actuarial study estimates the present value of general liability outstanding losses, including cash reserved for known claims and incurred but not reported claims, at \$11.3 million as of June 30, 2002.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$8.9 million as of June 30, 2002. The actuarial estimate does not include potential losses for 400 current employees who may become eligible.

Changes in the reserve amount for fiscal year 2001–02 were as follows (in thousands):

Beginning of year .....	\$ 31,438
Fiscal year claims incurred and changes in prior years' estimates .....	50,069
Fiscal year claims payments .....	<u>(49,928)</u>
End of year .....	\$31,579

**Investment Policy for Operating Funds and Pension Funds**

In accordance with Connecticut General Statutes and the City Charter, the City’s Director of Finance designates the qualified public depositories which may be used for public deposits and investments. Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400. The Director of Finance invests the City’s operating and working capital funds accordingly. A comprehensive investment policy was adopted by the Board of Aldermen in 2002. The policy governs all investments of the City’s governmental funds and proprietary funds. The policy is consistent with State statutes.

The pension funds for City employees are invested by various investment professionals chosen by the City’s Retirement Board. These professionals make investment decisions based on an investment policy and asset allocation plan adopted by the Retirement Board.

In addition, the City monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, for which it places deposits or makes investments. See Appendix A – “Auditor’s Section, Notes to General Purpose Financial Statements, Note 4” herein regarding the City’s cash and temporary cash investments.

The City has historically invested operating funds in bank certificates of deposit, repurchase agreements, the State of Connecticut’s Short-Term Investment Fund (“STIF”), and the F.G.I.C. U.S. Treasury Money Market Fund. F.G.I.C. investments consist of U.S. Treasuries, obligations of government agencies, and repurchase agreements collateralized by U.S. Treasuries and agency obligations. STIF, an investment pool, was authorized in 1978 (P.A. 78-236) for investment by the State Treasurer of various State funds. Section 3-27a of the Connecticut General Statutes spells out the various governmental entities eligible to participate in STIF. Section 3-27d details eligible investments that may be acquired with funds on deposit with STIF. Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions of the State of Connecticut to invest in STIF.

Teachers in the City’s school system hired after 1977 participate in the Connecticut Teachers’ Retirement System. The investment of teachers’ funds is managed by the State.

## SECTION VI - LEGAL INFORMATION

The City, its officers and employees are defendants in numerous lawsuits. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable. The City's Corporation Counsel has reviewed the status of pending lawsuits, and has received the advice of independent counsel with respect to the status of certain pending lawsuits. She is of the opinion that such pending litigation could not be finally determined so as to result individually or in the aggregate in a final judgment against the City in an amount equal to or greater than \$4,700,000, except that in the cases described below. The fiscal impact of collective adverse decisions might be significant, but are not determinable at this time.

CHASE BRASS SUPERFUND SITE. By telephone call on April 29, 2003, Region I ("Region I") of the United States Environmental Protection Agency ("US EPA") notified the City of Waterbury that Region I is sending a letter to the City and each of the other two identified potentially responsible parties ("PRPs") to let them know that Region I is completing its removal action at the City-owned Chase Brass Superfund Site (the "Site") and that the estimated cost of the removal is \$4.4 million.

It is the City's understanding that the other two PRPs are successors in interest to the obligations of Chase Brass & Copper Company, the former owner and operator of the Site at the time releases of hazardous substances occurred.

Under CERCLA an owner of a Site may be held jointly and severally liable with other PRPs for all of the costs of removal incurred by the US EPA. In traditional Superfund practice PRPs negotiate a sharing arrangement by which the PRPs settle the claims of the US EPA on an equitable basis. A host of equitable factors are used, including the relative culpability of the PRPs and their involvement with the generation and disposal of the hazardous substances involved. The basis upon which the PRPs will reach settlement is not known, however, the City expects the other PRPs will be allocated a significant share of the liability. The City believes that the other PRPs have assets or are affiliates of corporations that have assets.

UNITED STATES V. CITY OF WATERBURY. On September 6, 2002, the United States Environmental Protection Agency ("EPA") filed a Clean Water Act/Clean Air Act civil enforcement action against the City of Waterbury. The action was brought in the Federal District Court for the District of Connecticut for the purpose of addressing unauthorized discharges from the City's sanitary sewer collection system ("Collection System") and the City's procedures with regard to the collection and disposal of freon-containing appliances. The State of Connecticut Department of Environmental Protection intervened in the case as a plaintiff. The parties negotiated a consent decree to serve as the basis to settle the action. On November 21, 2002, the Federal District Court for the District of Connecticut entered judgment in accordance with the consent decree. Pursuant to the consent decree, the City paid a civil penalty of \$350,000 to settle claims related to violations of the Clean Water Act and Clean Air Act through the date of lodging of the consent decree. Under the consent decree, the City has also committed to certain actions concerning the Collection System including: (1) improving the Collection System infrastructure; (2) dedicating ten full-time persons to clean and maintain the Collection System; (3) purchasing and/or leasing additional Collection System cleaning equipment; (4) cleaning and maintaining the Collection System; (5) addressing Collection System manhole accessibility issues; (6) establishing a procedure for the collection and disposal of freon-containing appliances; and (7) submitting reports and plans. A portion of the costs of the foregoing work will be included in the City's budget as part of its routine operation and maintenance expenses for the Collection System.

TOWN OF WASHINGTON ET AL. V. CITY OF WATERBURY. The City has the statutory right to divert water from the Shepaug River to serve the residents and other customers of the City's water system. A number of groups have contested the nature and scope of the City's Shepaug River diversion in the above-referenced case. The City's opponents include the Town of Washington, the Town of Roxbury, the Shepaug River Association and the Steep Rock Association. This matter was tried in the Waterbury Superior Court before Judge Beverly Hodgson during December 1999 and January 2000. Judge Hodgson found that the City's conduct in running its water system resulted in some measure of impairment to the Shepaug River. Judge Hodgson ordered primarily equitable, non-monetary relief in the form of additional water releases to the Shepaug River below the dam. Enabling the ordered water releases would have required some modifications to the dam and to the operations

of the City's water system. Following the Judge's ruling, the City's opponents filed an application for attorneys' fees in the amount of between \$2.7 million and \$3.6 million. The City vigorously opposed this application. The City appealed the trial court's decision, as did the City's opponents. Consideration of the attorneys' fees claims was deferred pending the outcome of the appeals.

On July 2, 2002, the Connecticut Supreme Court rendered a decision on the appeals, remanding the case for further proceedings subject to standards that are much more favorable to the City than were imposed by the trial court. The Supreme Court's decision decreases the likelihood of a successful attorneys' fees claim by the City's opponents.

At this time it is not possible to predict with reasonable certainty the likely outcome of this case or the amount or range of any loss to the City should the outcome be unfavorable. Potential outcomes range from no impact to the City, to liability for water system modifications associated with increased water releases to the Shepaug River (with a corresponding impact to the City's water supply capability), and an increase in the attorneys' fees claims of the City's opponents related to further proceedings.

TAX APPEALS. As a result of the City's first revaluation in over 20 years, approximately 350 tax appeals were filed in superior court challenging assessments on the Grand List of 2001. Approximately 120 of these appeals have been resolved as a result of informal settlement conferences. These settlements have reduced the Grand List for 2001 by about 40 million taxable dollars. The settlements include nearly all appeals on the major commercial properties in Waterbury, so that the impact of any settlement awards made with respect to the remaining appeals for 2001 is expected to be much smaller. Nearly all of the settlements incorporate the 2002 Grand List and therefore, the impact of litigation on the Grand List of 2002 and on all grand lists until the City's next revaluation (anticipated to be 2006) is predictable and relatively constant. Approximately 20 to 30 appeals remain pending from Grand Lists prior to 2001, but their impact on revenue is not anticipated to be dramatic. To date, approximately 600 appeals from the Grand List of 2002 have been filed with the Board of Assessment Appeals. These appeals are primarily from values on residential property and the impact of their resolution on the Grand List is not anticipated to be significant.

PENDING FEDERAL INVESTIGATION. In 2001, the U.S. Department of Justice seized City documents pursuant to a search warrant as part of a Federal investigation of certain City affairs. It has been reported that Federal agents have obtained records and interviewed city employees about the reconstruction of the City's sewage treatment plant, demolition of blighted buildings and its towing contracts. The investigation is continuing and may result in charges being brought against current or past City officials. The investigation could also involve issues not previously reported in the media. Although no assurances can be made regarding the outcome of the investigation, the City does not expect that the results of the investigation will adversely affect the City's ability to pay the Bonds.

JEFFREY POOLE ET AL. V. CITY OF WATERBURY ET AL.. On March 14, 2002, a group of retired firefighters brought a suit against the City and the Waterbury Financial Planning and Assistance Board in Superior Court, seeking injunctive relief and money damages relating to the City's plan to convert retiree health coverage, effective April 1, 2002, from the indemnity plans in which they were enrolled to a managed care plan. During an injunction hearing before the trial court, the parties stipulated that the City had completed the conversion on April 1, 2002, and that the court could convert the preliminary injunction proceeding to a trial on the merits. On August 15, 2002, the trial court issued a prohibitory injunction ordering the City to refrain from converting the plaintiffs' health plans to the managed care plans. On October 2, 2002, the trial court issued a corrected decision, ordering the City to reinstate the plaintiffs to the health care plans in which they were enrolled prior to the involuntary conversion on April 1, 2002. The City and the Waterbury Financial Planning and Assistance Board obtained permission to appeal to the Connecticut Supreme Court, which stayed the injunction pending the appeal. This appeal is currently pending before the Supreme Court. The plaintiffs also requested \$350,000 in attorneys' fees. This request was denied by the trial court. The plaintiffs are appealing this denial of attorneys' fees. The City believes it has strong defenses to this appeal of the attorneys' fees issue.

U.S. V. GIORDANO AND RELATED ACTIONS. Phillip Giordano, the City's former mayor, was convicted in March, 2003 on charges of violating the civil rights of two minors by coercing them to engage in sexual acts with him,

among other charges. The City expects that this conviction will not materially adversely effect its finances. The guardian for the minors in question has brought a civil action against the City alleging responsibility on the part of the City for the former mayor's actions. The City believes that these allegations lack factual and legal merit and is vigorously defending this action. The City expects this action will not materially adversely affect its finances. In addition, the former mayor is awaiting trial in state court on criminal sex charges in connection with such matters. The City does not expect such state court action to materially adversely affect its finances.

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## **SECTION VII - ADDITIONAL INFORMATION**

### **Availability of Continuing Disclosure**

The City of Waterbury prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management, within six months of the end of its fiscal year. The City provides and will continue to provide to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

In addition, the City will enter into a Continuing Disclosure Agreement with respect to the Bonds substantially in the form attached hereto as Appendix C, in an effort to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission, annual audited financial statements and timely notice of the occurrence of certain material events with respect to the Bonds. The City of Waterbury has met its Continuing Disclosure requirements under the requirements of Rule 15c2-12 to the best of its knowledge.

In order to provide continuing disclosure with respect to the Bonds, the City has entered into a Disclosure Dissemination Agent Agreement with DAC. DAC information is available at no charge at [www.dac-ey.com](http://www.dac-ey.com).

### **Closing Documents**

Upon the delivery of the Bonds, the Underwriter will be furnished with the following documents:

1. A signature and no litigation certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the City signed by the Mayor and Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the terms of the sale of the Bonds were accepted, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. The approving opinion of Levy & Droney, P.C., Farmington, Connecticut, bond counsel to the City, in substantially the form of Appendix B hereto.
4. An executed copy of the Continuing Disclosure Agreement of the City the Bonds in substantially the form of Appendix C hereto.

### Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City of Waterbury from official and other sources and is believed by the City of Waterbury to be reliable, but such information other than that obtained from official records of the City of Waterbury has not been independently confirmed or verified by the City of Waterbury and its accuracy is not guaranteed.

Additional information may be obtained upon request from the City of Waterbury Department of Finance, Attention Richard Russo, Director of Finance, 235 Grand Street, Waterbury, Connecticut, telephone (203) 574-6840.

This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City of Waterbury by the following officials:

By \_\_\_\_\_  
Michael J. Jarjura  
*Mayor*

By \_\_\_\_\_  
Richard A. Russo  
*Director of Finance*

May 2, 2003